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A SUFFICIENT AND A CONTRACTED
CURRENCY.

BY

AR. J. L. S. C. S. Q. F. R. 1971

IRD EDITORIAL

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E N G L A N D

IN

1815 AND 1845 :

OR,

A SUFFICIENT AND A CONTRACTED
CURRENCY.

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ENGLAND

IN

1815 AND 1845 :

OR,

A SUFFICIENT AND A CONTRACTED CURRENCY.

BY

ARCHIBALD ALISON, F.R.S.E.

AUTHOR OF "THE HISTORY OF EUROPE DURING THE FRENCH
REVOLUTION."

THIRD EDITION, REVISED AND ENLARGED,

With a Postscript

CONTAINING A REPLY TO THE OBSERVATIONS OF

THE RIGHT HONOURABLE

SIR ROBERT PEEL, BART.

AND

A PREFACE

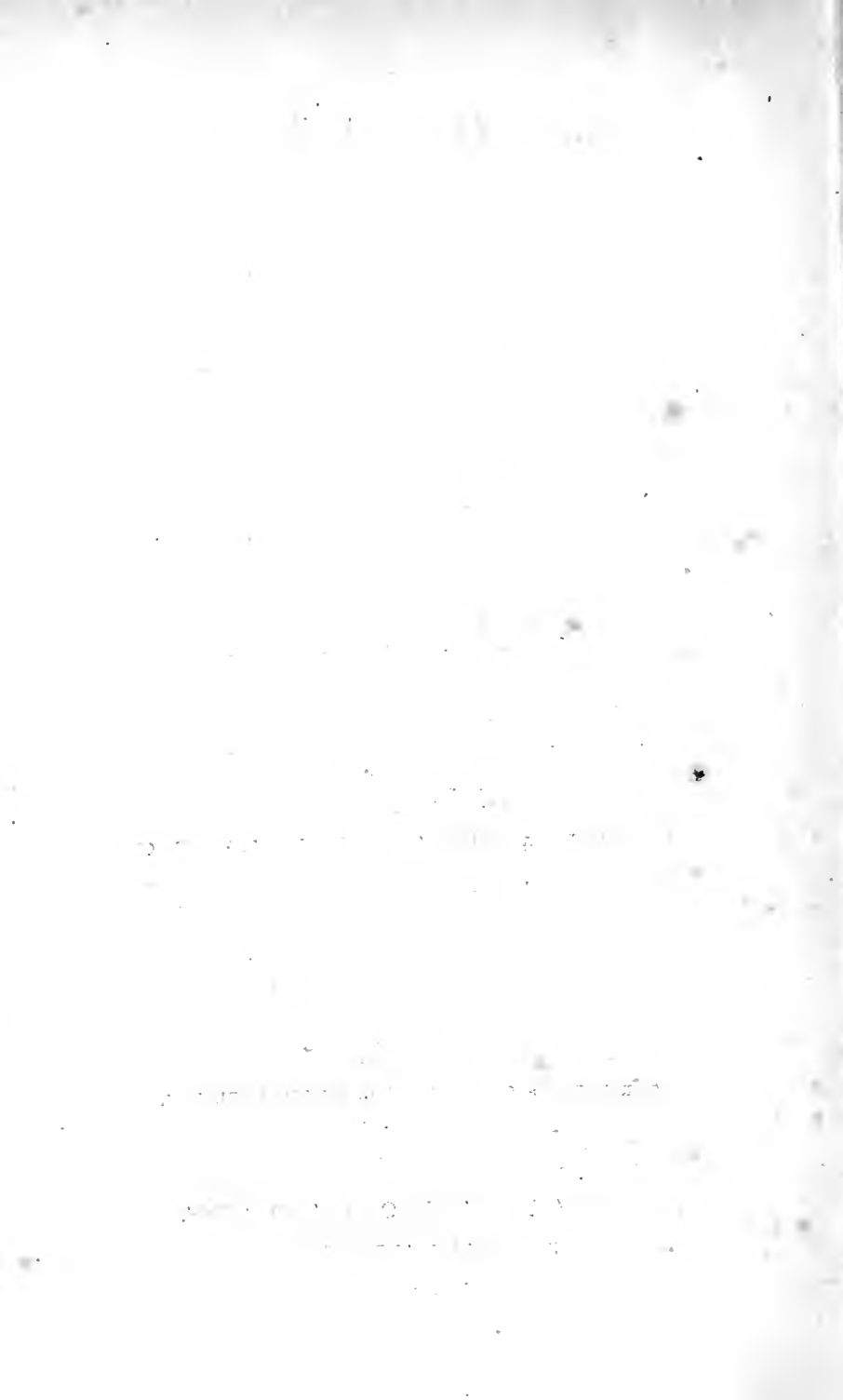
EXPLAINING

THE EFFECTS OF FREE TRADE ON THE CURRENCY.

WILLIAM BLACKWOOD AND SONS,

EDINBURGH AND LONDON.

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PREFACE

TO

THE THIRD EDITION.

IMPORTANT as the subject of the Currency at all times is to the whole community of the British Empire, and powerfully as it bears upon the fortunes of every individual, whether connected with land or commerce, it contains, it has acquired an additional degree of interest and moment from the changes now in progress through Parliament connected with the commercial policy of the country.

Under the proposed reduced duties during the next three years, and trifling duty after that period on all sorts of grain, there can be no doubt that a very great impulse will be given to the corn-trade. It being now ascertained, by a comparison of the prices during the last twenty years, that there is annually a difference of from twenty to thirty shillings a quarter between the price that wheat bears in the British islands, and at the shores of the

Baltic *, while the cost of importation is only five or six shillings a quarter, there can be no question that the opening of the Ports will occasion a very large importation of foreign grain. It may reasonably be expected that in the space of a few years the quantity imported will amount to four or five millions of quarters annually, for which the price paid by the importers cannot be supposed to be less, on the most moderate calculation, than seven or eight mil-

* *The following Table of the Average Prices of Wheat in Prussia and in England, as stated in the "Prussian Official Gazette" and the "London Gazette," in each Year, from 1816 to 1837; stated in English Measure and Money, appeared in "The Bankers' Circular" of February 16th, 1846:—*

	Average Prices in Prussia Proper, including Dantzic and Konigsburg.		Average Prices in Brandenburg and Pomerania.		Average Prices per London Gazette.		Difference between English Prices and Mean of Prussian Prices.		Foreign Wheat and Flour consumed in Great Britain.	
	s.	d.	s.	d.	s.	d.	s.	d.	Qrs.	
1816	36	9	44	6	76	2	35	6	225,263	
1817	52	7	60	9	94	0	37	8	1,020,949	
1818	49	6	53	5	83	8	32	2	1,593,518	
1819	34	3	37	6	72	3	36	4	122,133	
1820	27	3	30	0	65	10	37	2	34,274	
1821	25	6	28	9	54	5	27	3	2	
1822	26	0	26	8	43	3	16	11		
1823	24	2	26	9	51	9	26	5	12,137	
1824	18	6	20	0	62	0	43	3	15,777	
1825	17	3	17	9	66	6	49	0	525,231	
1826	18	6	21	0	56	11	37	2	315,892	
1827	22	3	25	9	56	9	32	9	572,733	
1828	27	2	28	9	60	5	32	5	842,050	
1829	32	3	35	0	66	3	32	7	1,364,220	
1830	29	6	34	0	64	3	32	6	1,701,885	
1831	39	6	39	0	66	4	27	1	1,491,631	
1832	34	0	33	6	58	8	24	11	325,435	
1833	25	0	23	6	52	11	28	8	82,346	
1834	23	9	23	0	46	2	21	10	64,653	
1835	23	0	24	0	39	4	15	10	28,483	
1836	21	0	23	0	48	6	26	6	30,046	
1837	22	6	26	0	56	10	32	7	244,085	

lions sterling. The experience of the year 1839 sufficiently tells us what will be the effect of such an importation of grain, paid for, as it must be, for the most part in specie, upon the general monetary concerns and commercial prosperity of the empire. It is well known that it was this condition of things which produced the commercial crisis in this country, led to three years of unprecedented suffering in the manufacturing districts, and, as is affirmed, destroyed property in the manufacturing districts of Lancashire, to the amount of 40,000,000*l.* Its effects upon the prosperity of the United States of America was such, that we have the authority of Mr. Biddle for saying that it led to the insolvency of the United States Bank in that country. The effect of that catastrophe, joined to the stringent measures against the paper currency adopted by the Government of the United States in 1837 †, was, that at least three fourths of the commercial capital of America was destroyed in the convulsion, and that the exports of Great Britain to America which, in 1836, were 12,000,000*l.*, sunk, in 1842, to 3,500,000*l.**

* Exports from Great Britain to America in

1835	-	-	£10,568,455
1836	-	-	12,425,604
1837	-	-	4,695,225 *
1838	-	-	7,585,760
1839	-	-	8,839,204
1840	-	-	5,283,020
1841	-	-	7,098,842
1842	-	-	3,528,807.

*Parl. Papers, 27 May, 1840, and
30 July, 1843.*

† Metallic System first introduced by General Jackson.

It is imagined by many persons who have not reflected on the rapid effect of a considerable addition to prices in stimulating production, that the effect of the opening of the English market to Polish wheat will be to raise the price so considerably on the shores of the Vistula or Wolga, as to render it not materially different from what it will come to be in this country; and that thus the importation of grain will not be so considerable as is generally imagined. There never was a greater mistake. There can be no question indeed that the sudden opening of the British harbours has a very great effect upon the price of wheat at Dantzic or Odessa *in a particular year*. It has been known to rise from 16s. or 18s. to 30s. or 34s. in consequence of such a sudden extension of the market for a *given and fixed quantity of rural produce*. But this great rise can in the nature of things be temporary only. The stimulus thus given to production must ere long render the supply equal to the enlarged demand. You might as well suppose that by permanently opening a large additional market for our cotton goods, as in China for example, their prices will be permanently elevated in Great Britain. Every one knows that Manchester and Glasgow will glut any new market how extensive soever in six months. It is the same with the production of grain in the great corn-growing countries. The wheat they raise for exportation could with ease be doubled in a single, or at the farthest a couple of years. If capital is wanting

to increase the supply, it will be furnished to any amount that can be required from Great Britain, as it was to South America in 1824, to sink their mines, or to North America in 1836, to form their canals and railways. A certain price is fixed at which it is possible to raise grain at a profit in every country, by the fertility of its soil and the cost of production, and any extension of the market can only lead to an augmentation of the supply, and, consequently, a restoration of the prices to their previous and natural level.

It is altogether chimerical to suppose therefore that prices are, by our depending on them for a large part of our supply, to be permanently changed in Poland; or that under the free-trade system, a very great annual importation is not to be expected.

Now let it be recollected that under the free trade in corn, this drain upon the metallic resources of the country, attended as it was with such disastrous effects both at home and abroad, may now be expected *to be permanent*. Experience gives no countenance to the hope that foreign nations will, at least for a very long period, adopt the system on which we are now entering. On the contrary, the principle which they universally subscribe to, is, that as Great Britain, the richer and the older state, has found it for its interest *now* to abandon the system of protection which she so long maintained, it is evidently for *their* interests, the younger and poorer states, to take it up. It will

be time enough, they say, for them to proclaim the principle of free trade, when they are as rich, their colonies as extensive, and their manufactures and machinery are in as advanced a state as they now are in these islands. Till that is the case they think and act on the opinion that free trade will utterly ruin their rising manufactures, and lead to their markets being entirely supplied by the much coveted extension of commerce in the British islands.*

Holding it, then, to be clear that a very large importation of grain into these islands may be looked for now, even in ordinary seasons, and an immense one in bad harvests, it is essential that the country *should steadily look in the face the constant drain upon its metallic resources which such a trade must occasion.* Adverting to the disastrous effects of such an exportation of the precious metals in 1839, from a *single year* of such extensive importation of foreign corn, it is impossible to contemplate, without the most serious alarm, the con-

* The following observations of the French Minister of Commerce on the recent Free Trade changes in Great Britain, express the unanimous opinion of the chief Continental States on our policy :—“Skillfully taking advantage of a real or fictitious failure in the supply of provisions, the English Government after having adhered for two centuries to the system of Protection, has suddenly shifted her policy, and calls on us to do the same. But has any other nation the same facilities for the production of Manufacture that England has ? It will be time enough for us to adopt the same policy, when our Capital is as great, our Trade as extensive, our Railways as numerous, our Colonies as wide spread as those of the British Empire—England takes care not to be too liberal, till she has nothing to lose by her liberality.”—*Times, Saturday April 4. 1846.*

version of that drain into a *permanent burden upon the specie of the country*. And the prospect becomes the more serious when it is recollected that the anticipated effect of the free-trade system will be a great increase in our manufactures for the foreign markets, in consequence of the enlarged means of purchasing them which the free-trade commerce in grain is expected to give to the great corn-growing states. As the change now to be made will indubitably depress agricultural industry, it is devoutly to be hoped by every well-wisher to his country, as at least some compensation, that the expected increase of our manufactures for foreign markets will take place. But this extension will of course require a proportional augmentation of the Currency to carry it on. And how is that to be provided under the metallic system, when the simultaneous import of foreign grain is every day drawing more and more the precious metals out of the country in exchange for food?

Although the harvest of 1845 did not prove so bad as was expected in July last, yet the prophecy then hazarded in this work, page 130., as to the monetary difficulties that would take place from the commencement of great domestic undertakings, has been amply fulfilled. It is well known that a great pressure on the money market has been felt for the last three months, and that in January in particular, very serious alarm prevailed in the money circles of the City. Interest charged by bankers in Scotland and Ireland has in consequence

risen to 5, and in some instances $5\frac{1}{2}$ or 6 *per cent.*, and even that taken in London has considerably advanced. The rapid and considerable fall in Railway Stock of all kinds during this last winter, proves how inadequate the existing currency is to carry on the domestic undertakings, which last year even received the sanction of Parliament. And what is very remarkable, and proves how entirely this fall was owing to the experienced impossibility of raising money, the stock of railways *falls in general most when they appear likely to pass the Legislature.* This was the result from the mere necessity of depositing 10 *per cent.* of the subscribed capital of railway undertakings, although there was no unusual drain on the specie of the country from the importation of foreign grain, as the price of wheat had not risen above 56s. or 57s. the quarter. What therefore may be expected when the remaining 90 *per cent.* on the cost of railway undertakings comes to be required, and that at the very time when the free trade in corn has given the expected stimulus to our manufactures for the foreign market, and the extensive annual importations of grain produce a steady drain of six or eight millions a year upon the metallic resources of the country?

Indeed so strongly are these dangers felt, and so alive have the mercantile classes become to the certain pressure on the money market, from the demand for money to carry on railway undertakings, that Sir R. Peel forcibly adverted to the

subject in an early speech in Parliament at the commencement of the session ; and a public meeting has been lately held in Glasgow and many other places, on requisitions signed by all the principal merchants, for the purpose of petitioning Parliament to take proper steps for checking railway undertakings ; as they threaten to starve all other branches of industry. The subjoined resolutions were there *unanimously* adopted by one of the most numerous and respectable assemblies of mercantile men of all parties ever held in Great Britain.* There can be no doubt that these apprehensions are well founded, and that in the present state of our cur-

* It was moved by Hugh Cogan, Esq., and seconded by William Grahame, junr., Esq., — That this meeting views with alarm the progress of so many bills in Parliament this session, for the extension of existing, and the construction of new railways, involving, as these do, not only the locking up and withdrawal from ordinary circulation of a large amount of capital in deposits, but also threatening the prospective investment of a much larger amount of the capital of the country in one direction than can be so employed without seriously deranging the ordinary banking, commercial, and agricultural interests of the community ; and that this alarm is heightened by the peculiar state of commercial affairs at the present moment — *the scarcity of money, the derangement of labour, and the high price of material.*

It was moved by J. G. Hamilton, Esq., and seconded by Michael Rowand, Esq., — That this meeting concurs in the sentiments expressed by Sir Robert Peel in his place in the House of Commons, when moving for a Committee to inquire into the subject of proposed Railway Bills, and deeply regrets that that Committee has not indicated any intention of proposing to Parliament a plan for restricting the number of bills to be authorised as suggested by Government.

rency laws the annual expenditure of 33,000,000*l.* for three years, which Sir R. Peel stated would be required to carry on the railways which last session received the sanction of Parliament, must produce a most calamitous derangement of the money market. Sir R. Peel ascribes this to the fact that *the capital* of the country is unable to carry on such extended undertakings without injury to existing branches of industry: and many well-informed practical men concur with him in imputing the present pressure to that cause. But a very little reflection must be sufficient to show that this is not the real origin of the difficulty: and that it is the *contraction of the Currency*, not any *deficiency of capital* for all the undertakings contemplated, which is the true cause of the evil which is experienced. The proof of this is decisive, both from past and present events.

In 1813, the population of Great Britain was about 13,000,000: it is now nearly 20,000,000. The Income Tax in that year produced 15,000,000*l.* at 10 *per cent.*: now, at less than 3 *per cent.*, it produces about 5,500,000*l.*, in other words, at 10 *per cent.* it would produce about 19,000,000*l.* It is not going too far to affirm that both the accumulated capital of the empire and the annual increment to that capital is now double what it was at the close of the war. But during the war, which lasted twenty years, an addition of nearly 600,000,000*l.* was made to the National Debt, being at the rate, on an average, of 30,000,000*l.* a-year borrowed by

Government.* In the three last years of the war, viz. 1813, 1814, and 1815, the sums borrowed by the State amounted to the enormous sum of 154,910,982*l.*, being at rate of above 50,000,000*l.* a year. Yet so far were these copious drafts from exhausting the capital of the country, at the close of a struggle of twenty years' duration; that the Loan for 1814 was borrowed at 4*l.* 11*s.* 1*d.*, being a lower rate than that paid at the commencement of the war.† Now if thirteen millions of men, with little more than two thirds of the present taxable income could *then* produce this immense annual surplus to lend to Government at the close of twenty years of war, is it extravagant to suppose that twenty millions of men, with double the capital, could *now* be strained if the Currency of the country was equal to its wants by producing 33,000,000*l.* annually for railway undertakings, after thirty years of unbroken peace? In fact, the annual increment made to the capital of the country has been estimated by very competent observers at this time at 50,000,000*l.*; of which little more than three fifths is required annually for the next three years for the Railways which have passed the Legislature last session.

Present circumstances demonstrate the same

	£		£
• National Debt, 1792,	231,537,865	1812 -	661,409,958
Ditto Ditto 1815,	816,311,940	1815 -	816,311,940
	<hr/>		<hr/>
Borrowed in the interim,	£584,773,085		£154,901,982
	<hr/>		<hr/>

† Parl. Deb. xxviii. 66, 67.

truth in an equally clear manner. The 3 per Cents. are at 96: that is, not more than 3*l.* 7*s.* per cent. can be got in the public funds for capital. Bonds on lands or other heritable security are still at 3½, or at the utmost 4 *per cent.* But *Bankers* are getting 5, 5½, and sometimes 6 *per cent.* for money in the provinces, and in London the rate of discount is 4 *per cent.* The *capital holder* is glad if he can get 3¼ *per cent.*: but the *money changer* will not advance a shilling under four per cent. in London, and *five* or *six* in the provinces. What is the reason of this difference? Simply this, that the pressure is not on the *capital* of the country but on its *Currency*: the persons strained are not those requiring permanent loans, but those needing temporary advances for the purpose of carrying on undertakings. Capital is redundant: but *money* is scarce. Nothing can be more different than these two things, and the present state of the Money Market illustrates the difference. The nation has ample capital to expend 40,000,000*l.* on Railways without the least derangement to other undertakings. But it *has not Currency for half of such annual expenditure on such undertakings.* Government, by adhering to the metallic system, precludes the possibility of making the requisite additions *in time*, to the national Currency. Every thing therefore is brought to a stand. For want of an adequate Currency the national capital is locked up in its existing investments, like water in frozen glaciers, when no heat melts to augment the

streams which flow from their base. The nation, while rapidly growing and vehemently struggling for enlarged means, is restrained in *golden fetters*, which admit neither of enlargement nor increase *in time for*, or proportion *to*, its necessities.

The present Currency of the British islands may be stated in round numbers, and on an average of years at 32,000,000*l.* in bank notes, issuable on securities in the three kingdoms, and the whole remainder of the Currency is entirely metallic.* In 1810, the Currency in paper for the three kingdoms, was not less than 60,000,000*l.* It is true the Bank of England, and other banks may, if they choose, issue a greater amount of notes than the numbers specified in the acts of parliament, and the former of these establishments has now 27,000,000*l.* in circulation. But then they can do so only, under the existing law, by having a sovereign in their coffers for every 1*l.* note issued in Scotland and Ireland, and in England the Bank can only issue notes above 14,000,000*l.* in exchange for sovereigns taken in, or for gold and silver bullion. It is evidently the same thing, if 5*l.* in specie must be in the Bank for every 5*l.* in notes issued, whether the notes are issued or the sovereigns themselves. The Currency,

	£	
* Viz.—Bank of England	14,000,000	issuable on Securities.
Country Banks	- 8,000,000	—
Scotch Banks	- 3,500,000	—
Irish Banks	- 6,500,000	—
	<hr/>	
	£32,000,000	
	<hr/>	

therefore, beyond the 32,000,000*l.*, is to all practical purposes a metallic Currency.

It is difficult to see how with a Currency based on this principle, it will be possible for the country to carry on the vast railway and other internal speculations now on foot, and at the same time stand the prodigious drain on its metallic Currency, which the free trade in grain must necessarily induce. Experience has abundantly proved, what *à priori* might have been expected, that it is a very tedious operation to increase a metallic Currency, and that it is utterly incapable of being suddenly expanded, perhaps in a few months, in proportion to what the wants of the community require for augmented transactions, or what the money market needs from largely abstracted specie. On the contrary, an abstraction of the specie, under the present law, is immediately and necessarily followed by a simultaneous and still greater *contraction of the paper in the Currency*. Our present commercial policy and social condition tend greatly to an increase of internal transactions; that is, they call for an increase of the Currency, while at the same time the existing laws induce a constant contraction of it from the increased exportation of the precious metals for grain. It is easy to see what commercial disasters, wide-spread national suffering, and diminution of the public revenue, the simultaneous operation of these causes must produce.

From the language used now by many writers on the subject of wealth, and the measures pur-

sued by Government, one would be apt to imagine that the whole experience of Modern Europe had been lost, and that we were about to recur, in the middle of the nineteenth century, to the limited and contracted ideas concerning money which prevailed in ancient times. Gold, it is said, is the only secure representative of wealth, because it alone has a universal value over the globe. And therefore *it* must be made, directly or indirectly, the sole basis of the circulation. Is then credit nothing? Is character nothing to the persons to whom advances are made? How much of the present wealth of England has been made by means of a metallic circulation? Not a twentieth part. How much of Scotland? Not a hundredth. Scotland during the last 150 years, has made a progress certainly not exceeded by any country in Europe, probably not equalled, with a currency almost entirely composed of paper. The amount of solid wealth, created by this paper judiciously issued and diffused, has become incalculable. It has raised the surplus revenue of the country from two hundred thousand a year at the Union to upwards of five millions, levied from little more than 2,500,000 inhabitants, being at the rate of 2*l.* a head. During this period, the shocks to credit and commercial catastrophes have been far less frequent in Scotland with a paper currency, than in England which latterly has had chiefly a metallic one.

But it is much to be feared that this unexampled progress has now received a check, in con-

sequence of the monetary change introduced last year, and if that system continues for some years longer, the progress of this part of the empire will be permanently arrested. The paper circulation issuable on securities being limited to 3,400,000*l.* in round numbers, no increased circulation is competent except by an addition to the metallic treasures in the hands of the bankers. It is only by slow degrees that that treasure can be augmented. It is impossible to increase it suddenly in proportion to the temporary though urgent wants of the community. When the addition is made, it is done at so great a cost that the interest must be levied from the public in the shape of an increased rate of interest for money. Eighteen hundred thousand pounds is now lying dead in the coffers of the banks in the precious metals—three fourths of which, for all the good it does to the country might just as well be thrown into the sea. The credit of the banks needs no such support. Nevertheless it must be kept up at a heavy expense levied from the public in the shape of increased discounts for bills or other bank advances. The effect already has been to produce so great a stress upon credit, and pressure on the money markets in Scotland, as to render the commencement of any considerable new public undertakings, *even with ample capital in the country to carry them on*, a matter of very great difficulty if not absolute impossibility. It is easy to see that with a Currency thus contracted, and incapable of adequate future extension, the progress

of the empire to the North of the Tweed must be very different in future to what it has been in time past. And there is no reason to believe that the same stringent measure that checks prosperity in Scotland, will not produce a similar and still more calamitous effect over the whole empire.

The only resource that can then remain to Government to uphold the public credit and national establishment in these circumstances will be a progressive augmentation of the Income Tax. This in its turn, by diminishing the means of expenditure at the disposal of the affluent classes, will still further impair the home market for our manufactures. And it is much to be feared that the empire will thus get into the vicious system which destroyed that of Rome, where the increased weight of the direct taxes, owing to the free trade in grain, the result of the extension of the empire over the shores of Africa and Egypt, and the contraction of the currency, arising from the failure of the gold and silver moneys in Greece and Spain, and the general habits of hoarding produced by the incursions of the barbarians, at length proved fatal to its industry, power, and existence.

So strongly will the pressure for money be felt when the free-trade system comes into practical operation that it may confidently be expected that it will, before many sessions of parliament are over, force a change in our monetary policy upon the Government. In contemplation of this alteration, which is so evidently and loudly called for under

the new system, that its adoption may be considered as a question of *time* only, it has become a matter of the very highest importance for all persons practically acquainted with the subject to consider in what way the necessary change can with the greatest safety be effected. What the present, and still more the future state of the empire requires, as the fundamental principles, evidently are these : —

1. That the Currency should be largely *augmented*, so as to bear a proper proportion to the increased population and transactions of the empire.

2. That it should consist of a *mixed* circulation of gold and silver, and bank-notes; the latter being issued on the security of, and convertible into, the former.

3. That the paper circulation should be capable of a sudden expansion to any amount that may be required from the wants of the community or the abstraction of specie from the country, and not be liable, as at present, to be contracted when that specie is in part withdrawn, and its augmentation is constantly most loudly called for.

4. That the greater part of the paper circulation should be in one pound notes, which the wants of the community principally require.

It is the duty of practical bankers to consider in what way these requisites are best to be effected. A speculation has been thrown out in the following pages, that it could best be done, by making the notes of all country bankers exchangeable in specie

or Bank of England notes, and those of the Bank of England in gold and silver, but at the current market prices of those metals only at the time when the notes are presented. This project, as the author anticipated, has been violently assailed both in parliament and elsewhere, but by no arguments which have shown that it is erroneous. But he must here again repeat, what he has stated in the body of the work, that he attaches *no weight to that suggestion*, and it is *not to that part of his reasoning that he solicits public attention*. He leaves it to those practically engaged in money matters, to say *how* the requisite remedy is to be applied to the existing difficulties; and it lies upon those who have induced them, by departing from a system which worked well, to devise the proper remedy. What he rests upon, is, the proved evils under the present system, and the absolute necessity of an extension of the Currency, if we would either uphold the national credit *or save the empire from ultimate ruin*. And setting aside the whole reasoning in the following pages, he begs simply to refer to the figures in the Appendix, taken from parliamentary authorities, as demonstrating both these propositions to the entire satisfaction of every reasonable and unprejudiced mind.

It only remains to add that the prices of grain given in the Table for the years from 1792 to 1843, were taken from Mr. Tooke's Work on Prices, vol. II. pages 389, 390. as far down as 1836, where Mr. Tooke's Table stops. They are the *mean* prices

over the years. The great variation in the statement of prices which exists in different parliamentary and public documents, rendered it advisable to take them from an author whose ability and accuracy have long stamped him as one of highest authority on the subject of prices. But as some surprise has been expressed by well-informed persons that these prices differ in many years from those given in Mr. M'Culloch's Statistical Account of the British Empire, and other authorities, it has been deemed advisable in this edition to give another column, exhibiting the prices taken from the London Gazette, and given in Mr. Porter's valuable Parliamentary Tables, Vol. III. p. 215. and subsequent years.

A. ALISON.

Possil House, Glasgow,
March 7. 1846.

ENGLAND

IN

1815 AND 1845 ;

OR,

A SUFFICIENT AND A CONTRACTED CURRENCY.

No one can have considered the state of the British empire during the last half century, without being convinced that some great and unprecedented causes have been at work in producing the prodigious fluctuation and change of fortunes by which its domestic history has in that time been distinguished. Nothing similar to it ever occurred without external disaster, or the actual overthrow of society by the ravages of war, since the beginning of the world. It is hard to say whether these changes appear most extraordinary on a retrospect of their effects in time past, or on a contemplation of their results in times present. They have exhibited a combination of prosperity and adversity, of strength and weakness, of riches and poverty, of progress and decline, of grandeur and debility, of joy and sorrow, unparalleled, in any former ages of the world, and which, in future times, instructed by our errors, and warned by our sufferings, will probably never again occur.

During the first four years of that period dis-

tress and anxiety generally prevailed, and the nation, labouring alike under external disaster and internal suffering, with difficulty sustained the languid exertions and comparatively small cost of the early years of the war. The whole expenditure of the state, including the interest of the debt, was 15,000,000*l.* in 1793, and by the year 1796 it had risen to 37,000,000*l.** The latter sum was considered by Mr. Pitt as so excessive, that he said, in parliament, "it never had been equalled, and probably never would be surpassed." During these four years only one victory at sea — that of Howe — was achieved; we were driven with disgrace from Flanders, Holland, and the north of Germany; Toulon beheld our standards recede before the rising star of Napoleon; our continental alliances were all, with the exception of that with Austria and Russia, broken up; and from the Texel to Gibraltar the whole coast was arrayed in fierce hostility to our arms. Nor was the internal suffering of this ill-omened period inferior to its external disaster. It began with the severe commercial distress of 1793, unprecedented at that period in intensity and duration, and which was only relieved by an extensive loan to the trading classes by Government; and it terminated in the dreadful monetary crisis and run upon the Bank and mutiny in the fleet, in spring 1797, which brought the nation to the brink of ruin, and forced upon the Government the necessity of suspending cash payments.

The next eighteen years of the war, from 1797 to 1815, were, as all the world knows, the most glorious,

* Porter's *Parliamentary Tables* I. p. 1.

and, taken as a whole, the most prosperous, which Great Britain had ever known. — Ushered in by a combination of circumstances the most calamitous, both with reference to external security and internal industry, it terminated in a blaze of glory and a flood of prosperity which have never, since the beginning of the world, descended upon any nation. Hardly had the run upon the Bank shaken to its centre the whole fabric of our commercial industry, and the mutinies at the Nore, Plymouth, and off Cadiz paralysed the arm of our naval defenders, when the victories of St. Vincent and Camperdown again restored to us the dominion of the seas; and ere long the thunderbolts of the Nile and Trafalgar prostrated the naval strength of the enemy, and the victories of Wellington first arrested, and at length broke, his military power. Prosperity, universal and unheard of, pervaded every department of the empire. Our colonial possessions encircled the earth — the whole West Indian islands had fallen into our hands; an empire of sixty millions of men in Hindostan acknowledged our rule; Java was added to our eastern possessions; and the flag of France had disappeared from every station beyond the sea. Agriculture, commerce, and manufactures at home had increased in an unparalleled ratio; the landed proprietors were in affluence; wealth to an unheard-of extent had been created among the farmers; the soil, daily increasing in fertility and breadth of cultivated land, had become almost adequate to the maintenance of a rapidly increasing population; our exports, imports, and tonnage had more than doubled since the war began: and though

distress, especially during 1810 and 1811, had at times been severely experienced among the manufacturing operatives, yet, upon the whole, and in average years, their condition was one of extraordinary prosperity. The revenue raised by taxation within the year had risen to 72,000,000*l.* in 1815, from 21,000,000*l.* in 1796; the total expenditure from taxes and loans had reached, in 1814 and 1815, the enormous amount of 117,000,000*l.* each year. In the years 1813 and 1814, being the twentieth and the twenty-first of the war, Great Britain had above a million of men in arms in Europe and Asia, and remitted 11,000,000*l.* yearly in subsidies to the continental powers. Yet was this prodigious and unheard-of expenditure so far from exhausting either the capital or resources of the country, that the loan in 1814 was obtained at the rate of 4*l.* 11*s.* 1*d.* per cent., being a lower rate than that paid at the commencement of the war; although the annual loan at its close was above 35,000,000*l.**, and the population of the empire at that period was only eighteen millions, just two thirds of what it was found to be by the census of 1841.

With the arrival of peace, the sudden contraction of the war-expenditure, and of the vast purchases of so many of the products of industry by a government spending nearly 120,000,000*l.* a-year, there was of necessity great temporary distress and extraordinary difficulty experienced in industry finding out new and pacific channels. This was much enhanced by the sudden disbanding of above 300,000 men in arms at the close of the war in the British islands,

* *Parliamentary Debate*, XXVIII. pp. 66, 67. App. 2—5.

and by the effects of a great commercial crisis which took place, especially in the eastern harbours of the empire, in consequence of the total inability of the impoverished continental states to purchase the prodigious mass of manufactures and colonial produce which was suddenly thrown upon them. Yet the years from 1815 to 1819, though checkered with suffering from these causes, and from two bad harvests in 1816 and 1817, were, upon the whole, prosperous; and this was decisively proved by the fact, that notwithstanding the repeal of the income and war malt taxes, producing together above 18,000,000*l.* a-year, there was an annual surplus* applied to the reduction of the debt, which in four years amounted to above 10,000,000*l.* sterling. This was over and above the total amount of loans contracted for taking up Exchequer bills or other financial operations, which, without either adding to or diminishing the debt, merely altered its form.

Since the year 1819 the empire has exhibited the most extraordinary spectacle that the world has perhaps ever witnessed; and it is to it that we earnestly request the attention of our readers, because then began the series of causes and effects in which we have ever since been, and still are, involved.

Considered in one point of view, there never was

* In 1816	-	-	-	- £3,452,096
1817	-	-	-	- 1,826,814
1818	-	-	-	- 1,624,616
1819	-	-	-	- 3,163,130
				<hr/> £10,066,656

Porter's *Progress of the Nation*, ii. p. 290.

a nation which, in an equal space of time, had made so extraordinary a progress. Its population had advanced from 20,600,000, in 1819, to 28,000,000, in 1844: its imports had increased from 30,000,000*l.*, in the former period, to 70,000,000*l.*, in the latter; its exports had advanced during the same period from 44,000,000*l.* to 130,000,000*l.*; its shipping from 2,350,000 tons to 3,900,000.* There never, perhaps, was such a growth in these the great limbs of industry in so short a period in any other state. Nor had agriculture been behind the other staple branches of national industry. Its produce had kept pace with the income, unparalleled in an old state in the population, as well as the still more rapid multiplication of cattle and horses for the purposes of use and luxury; and amidst this extraordinary growth of consumption the still more extraordinary fact was exhibited of the average importation of grain steadily declining from the commencement of the century, till at length, anterior to the six bad seasons in succession, which commenced in 1836†, it had sunk to 400,000

* The figures are given in round numbers; the exact returns will be found in the tables only. The population in 1841 was 27,019,533: since that time it must, from the present rate of increase, be now, at the distance of four years, about 28,000,000.

† Average importation of foreign grain into Great Britain in ten years, ending

1810	-	-	-	600,946 quarters.
1820	-	-	-	458,578 —
1830	-	-	-	534,992 —
to 1835, five years	-	-	-	398,409 —

Porter's *Parl. Tables*, XI. p. 548.; and
Progress of Nations, i. p. 146.

quarters on an average of the five preceding years, being scarce an hundred and twentieth part of the annual consumption of men and animals, which exceeds 60,000,000 quarters. And what is most extraordinary of all, the returns of the income-tax, when laid on even in the year 1842, a period of severe and unprecedented commercial depression, proved the existence, in Great Britain alone, of 200,000,000*l.* of annual income of persons enjoying above 150*l.* a-year each; of which immense sum about 150,000,000*l.* was from the fruits of *realized capital*, either in land or some other durable investment. It is probable that such an accumulation of wealth never existed before in any single state, not even in Rome at the period of its highest splendour.

Considered in another view, there never was a period in which a greater amount of financial embarrassment has been experienced by Government, or more wide-spread and acute suffering been endured by the people. So far has the exchequer been from sharing in the flood of wealth which has thus been so profusely poured into the empire, that it has, with the exception of two or three years of extraordinary and perilous prosperity, been, during the whole of this period, in a state of difficulty. This steadily increased till it at last brought the nation to such a pass that it was extricated from absolute insolvency only by the re-imposition, during European peace, of the war income-tax. Not only was the provident and far-seeing system of Mr. Pitt for the redemption of the debt practically abandoned during the necessities of this calamitous period, but the national account was turned the other way, and

the annual deficiency gradually increased till it had reached the enormous amount of 4,000,000*l.* annually, and added, in six years of peace, no less than 11,000,000*l.* to the amount of the national debt.* The nation, during the latter years of the war, prospered and experienced general well-being under an annual taxation of 72,000,000*l.*; drawn from eighteen millions of souls: in the latter years of the peace it has, with the utmost difficulty, drawn 50,000,000*l.* from a population of twenty-seven millions. Wages in the former period were high, employment abundant, the working classes prosperous, with an export of British and colonial produce of from 45,000,000*l.* to 50,000,000*l.* annually: in the latter, wages were in many trades low, employment difficult, suffering general, with an annual exportation to the amount of 120,000,000*l.* to 130,000,000*l.*

But extraordinary and apparently inexplicable as these facts are, they are yet exceeded in marvel by the details of our social and economical state during this period of unparalleled increase in our material resources. It may safely be affirmed that the anxiety and distress which were felt during that brilliant period of national growth have never been surpassed, at least in a state possessing the

* Deficiency, 1837	-	-	£1,428,000
— 1838	-	-	441,819
— 1839	-	-	1,381,938
— 1840	-	-	1,750,543
— 1841	-	-	2,149,885
— 1842	-	-	4,075,119
			<hr/>
			£11,227,304

external mark of prosperity. It is well known to what straits the Bank of England has been reduced on two different occasions in that period. In December, 1825, it was, as all the world knows, in very great difficulties. We were, as Mr. Huskisson said, "within twenty-four hours of barter." In November, 1839, the stock of specie was reduced to 2,800,000*l.*, and the Bank was under the necessity of negotiating a loan of 10,000,000*l.* sterling from the Bank of France. There can be no impropriety in mentioning these facts, which are universally known, regarding that magnificent establishment, which now has above 15,000,000*l.* of bullion and specie accumulated in its coffers. The distress among the mercantile classes for years after the dreadful crisis of December, 1825 — of the agricultural interest during the low prices from 1832 to 1835, and of the whole commercial community from 1837 to 1842, was extreme. Wages sank during these disastrous periods, in the manufacturing districts, so low, that they barely sufficed with the great bulk of workers, especially females, for the support of existence. Serious insurrections broke out in 1820 and 1842, both in England and Scotland, ostensibly for political purposes, but mainly occasioned by the general distress among the manufacturing operatives, as was decisively proved by their entire extinction when labour again received a remunerating return.

Farming capital in the agricultural districts was, during their distress, every where grievously abridged — in many places totally annihilated. Ireland during the whole period has been in a state of

smothered insurrection ; and for the last four years has convulsed the country by the fierce demand for the repeal of the Union, which was only prevented from breaking out into open rebellion by the continued presence in that island of thirty thousand armed men, between the regular forces and armed police. The manufacturing districts of Scotland were involved, during the same period, in such distress, that in 1837 the mortality in Glasgow was 1 in 32 ; in 1842, 1 in 30 ; and in the latter year, 32,000 persons took typhus fever in that city, and the deaths were upwards of 10,000, out of a population not exceeding at that period 280,000 souls. The late Poor Law Commission has accumulated evidence proving to demonstration the existence of severe and unheard-of distress among the poor of all parts of Scotland, generally esteemed, and in some respects with reason, the best-conditioned part of the empire. The Poor Law Commission for Ireland has shown that there are in that fertile land no less than 2,300,000 persons in a state of almost permanent destitution. The heart sickens at the proofs, numerous and incontrovertible, which the Parliamentary Reports for the last ten years have accumulated, of wide-spread and often long-enduring suffering among the labouring poor in England.

“ Experience,” says Dr. Johnson, “ is the great test of truth, and is perpetually contradicting the theories of men.” Never since the beginning of the world had the doctrines of philosophers been so generally embraced by government, or measures really intended for the public good

so extensively carried into effect by the legislature. Unbounded were the anticipations of prosperity and happiness in which men generally indulged in the adoption of this system; inflexible has been the steadiness with which it has been adhered to amidst an amount of suffering which would long ago have proved fatal to any set of measures among men except those dictated by their own opinions. But amidst all these anticipations, and this steadiness in carrying out the doctrines of free trade in every department of thought and action, various unpleasant indications began to manifest themselves in every part of society; and it became evident to all that the fruits of the tree of knowledge were not, in this generation at least, destined to be different from what they had proved to our first Parents.

While wealth was increasing to an unparalleled extent among the commercial classes, suffering and distress as generally ensued among the rural inhabitants; and the multitude of ruined fortunes among them rendered it certain that at no distant period the old race of landed proprietors would, with the exception of a few magnates, be all rooted out, and their place supplied by a new set of purchasers from the commercial towns. While population was advancing with unparalleled strides in the manufacturing districts, pauperism even more than kept pace with it in all; and the extraordinary fact has now been revealed by statistical researches that, in an age of unbounded wealth, and general and long-continued peace, a *seventh* part of the whole inhabitants of the British

islands are in a state of destitution, or painfully supported by legal relief.* While all attempts even to pay off the National Debt have been abandoned by government, and the principle openly proclaimed by the Prime Minister, that any surplus of revenue above expenditure must, to relieve the necessities of the country, be applied to the reduction of taxation, without a thought to the reduction of the debt, the Home Secretary has announced the not less alarming fact, that since the peace above two hundred millions sterling, or a fourth of the National Debt, has been raised for the relief of the poor in England alone. While the returns of the income-tax have demonstrated that seventy thousand persons in Great Britain possess among them an annual revenue of two hundred millions a-year, or about 2,300*l.* each on an average, the melancholy fact has been revealed by the result of attempts to increase the national

* Viz. in Ireland	-	-	- 2,300,000
England	-	-	- 1,500,000
Scotland	-	-	- 200,000
			<hr/> 4,000,000

just a seventh of the whole inhabitants, who are now about 28,000,000. Notwithstanding the efforts made to reduce this expenditure on the poor, by the New Poor Law Bill, their cost, in proportion to the numbers of the people, is as great as it was at the close of the war. It was then about 6,000,000*l.* yearly for a population of 18,000,000: it is now about the same for a population of 28,000,000; and as the value of food has fallen nearly an hundred *per cent.* since that time, the real burden of the poor rate is now equivalent to what 11,000,000*l.* or 12,000,000*l.* would have been in 1815, that is, it has advanced faster than the population.

revenue by means of indirect taxation, that that source of income can no longer be relied on ; and in a time of profound, and at the close of a period of long-continued peace, it has become indispensable to recur to an assessment on property and direct taxation, as it was in Rome in the decaying periods of the empire.

The blue folios of the houses of parliament teem with authentic and decisive evidence of the vast increase during the last thirty years of crime and frequent destitution among the working classes in all parts of the empire. Every four or five years a brief feverish period of gambling, extravagance, and commercial prosperity is succeeded by a long and dreary season of anxiety, distress, and depression. Frightful strikes among the workmen, attended with boundless distress among, and hideous democratic tyranny over them, invariably succeed in the close of those periods of suffering, as pestilence stalks in the rear of famine ; and popular insurrection has become so common, that it is a rare thing to see two years pass over without martial law being of necessity practically enforced in some part of the empire. And, as if to bring this chaos of contradictions to a perfect climax, at the very time when unheard-of exertions have been made for the education of the people in every part of the empire, and the newly-aroused fervour of religion in all denominations of Christians has drawn forth unparalleled efforts for the diffusion of the Gospel among the working-classes, crime has made unexampled progress in every part of the empire ; and the

scandal has been exhibited of serious and detected offences. having multiplied *sevenfold* in a realm which, in the same period, has not added more than seventy *per cent.* to the amount of its population; in other words, during a period of unparalleled growth of wealth, and effort at instruction, crime has augmented TEN TIMES as fast as the numbers of the people.*

We repeat it—this state of things is unparalleled in any other age of the world or quarter of the globe. We say this after due consideration, and a full appreciation of the unutterable and now forgotten miseries in which the world in general, and ourselves among the rest, have been involved in former ages, from the ravages of foreign war, or the grinding of domestic oppression. Nothing is more certain than that the wretchedness of those days infinitely exceeded any thing in the present; and that, compared with their sufferings, the low wages of our sullen Chartists, or the destitution of our starving Repealers, would be esteemed absolute paradise. If any one doubts this, let him read Michelet or Sismondi's account of France during

* Committals for serious crime in

	England.	Scotland.	Ireland.	Total.	Population of Great Britain and Ireland.
1805.	4,605	89	3,600	8,284	15,800,000
1819.	14,254	1,380	13,251	28,885	20,600,000
1842.	31,369	3,884	21,352	56,605	27,300,000

Porter's *Parl. Tables* and *Prog. of Nations*, iii. pp. 172. 227.;
Marshall's *Parl. Tables*; Moreau's *Statistique de la Grande Bretagne*, and *Census*, 1841.

The Table above has been compiled from various parts of these authorities, and of course is not to be found in any one of them.

the English wars, the civil contests of the Armagnacs, or any of the graphic descriptions of the European states during the feudal ages. But what we do say is unparalleled in the history of the world, is the *co-existence* of so much suffering in one portion of the people, with so much prosperity in another; of unbounded private wealth, with unceasing public penury; of constant increase in the national resources, with constant diminution in the comforts of a considerable portion of the community; of the utmost freedom consistent with order, ever yet existing upon earth, with a degree of discontent which keeps the nation constantly on the verge of insurrection; of the most strenuous efforts for the moral and religious improvement of the poor, with an increase of crime unparalleled at the same, or perhaps any other, period in any civilised state.

So habituated has the nation become to the constant contemplation of this extraordinary combination, that a large part, especially of the thinking portion of it, have come to regard it as unavoidable — as the necessary consequence of our advanced national years, and old-established civilisation; and they deem it as vain to fret against it as against the variableness of our climate, or the churlishness of a large portion of our soil. But a little reflection must convince every candid inquirer that this is not the case, and that the notion that public prosperity and private misery, public poverty and private opulence, external peace and internal feuds, general growth and individual decline, necessarily must exist together, is essentially erroneous. Experience, indeed, too clearly shows how invariably

the ceaseless agency of human corruption educes evil out of good, as the opposite springs of human improvement bring good out of evil; and therefore we may always expect to find numerous social and political misfortunes springing up out of the very blessings which have been most ardently desired, and, to appearance, can bring only general felicity in their train. But it is evident that there is, in our present state, something more than this—something which demonstrates the existence of a *great and latent evil* which poisons, for a large part of our people, all our prosperity, and converts the fruits of industry into the apples of Sodom.

Admitting that corruption grows with wealth, and selfishness with prosperity, how is it possible to explain the constant penury of the exchequer, at a time when the national resources are advancing with such astonishing rapidity; the necessity of recurring to war taxes at the very moment when pacific sources of wealth are augmenting in an unheard-of ratio; the practical extinction of the sinking fund*, and renewed increase of debt, at a time when the resources of the nation to meet its engagements are doubling every twenty years; the

* We rejoice to see that a surplus of 1,400,000*l.* existed in 1843, which has swelled to 3,000,000*l.*, in 1844. But this is entirely the result of the income-tax: without it, there would have been a deficiency in the former year of 4,000,000*l.*; in the latter of 2,500,000*l.* This surplus, therefore, however much the subject of congratulation, is no index to a more permanently prosperous state of finance from the ordinary pacific sources of revenue. And the surplus, such as it is, has, by the budget of 1845, been entirely devoted to the reduction of taxation, without leaving any thing for the reduction of the debt.

existence of long-continued suffering and penury among the working classes, and a deplorably low state of wages in many districts and employments, when the products of their industry are advancing with a rapidity unexampled in any former age of the world? It was not thus in former ages of the world, nor is it so in other countries at the present. When Rome enjoyed eighty years of nearly unbroken repose, under the successive rule of Nerva, Trajan, and the two Antonines, the riches of the imperial treasury kept pace with the opulence and growing resources of every part of the empire; and the magnificent public works carried on during those sunny days, as well by the imperial government as the municipalities in its numerous provinces, the remains of which still exist, demonstrate in a decisive manner the parallel growth of public and private sources of opulence.

We read of no such combination of national growth with internal suffering in Flanders or the Italian republics during the days of their greatness; nor do we see the least indication of it in Austria or Prussia at this time, although the population of the latter of these states is increasing much faster than that of Great Britain.* On the other hand, America has exhibited, during the last twenty years, the example of this woful combination in a still more remarkable degree than the British islands. Great as during that period has at times been — at many times — our internal

* Prussia is doubling its numbers in forty-two, the British islands in fifty-six years.

distress, it is as nothing compared to the dreadful social disasters which have more than once devastated the North American continent, prostrating, like a hurricane, all the structures of human industry by their fury. It is **not**, therefore, that such disasters are necessarily inherent in an advanced and aged civilisation, but they evidently arise from something peculiar to the state in which it exists, whether in the British empire or among their descendants in the New World.

The Malthusians have a very simple solution for all those contradictions. They say that population is advancing faster than food can be provided for it; that the people are increasing in a geometrical, and their subsistence in an arithmetical, progression, and thence the wide and daily increasing gap between them. But here, again, statistics, which have disproved so many of the pernicious dogmas which political economy, falsely so called, had introduced during the last half century, interfere with decisive effect to distinguish the fallacy. If population was really pressing upon subsistence in the British islands, of course the price of grain should be permanently rising, importation from foreign states steadily increasing, and the number of cultivators increasing, in order, by accumulated strength, to extract food from the overloaded and encumbered soil. Now, how stands the fact as ascertained by the authentic returns of the late census of the population in the British empire? Why it turns out, that so far from the prices of grain being on the increase, they are steadily diminishing, and anterior to the five bad harvests following 1836 had fallen to

35s. 4d. a quarter; so far from importation augmenting, it has been constantly decreasing down to the commencement of the same disastrous period, until it had fallen on an average of five years, from 1830 to 1835, to 398,000 quarters annually — not a hundred and twentieth part of the annual consumption; and so far from the proportion of the community engaged in raising food being, under the pressure of necessity, on the increase, it is constantly and rapidly *decreasing*: and the prodigy is now exhibited in the British islands, of an old state, in which the population is so dense as to be 250 to the square mile, having ample subsistence on an average of years provided for it by less than a FOURTH PART of its inhabitants engaged in the cultivation of the soil.*

At the same time, as if to place the demonstration of the absurdity of the Malthusian doctrine beyond a doubt, the census taken in America in the same year has demonstrated that the proportion of those engaged in the cultivation of the soil, in all the states of the Union taken together, is about

* Table showing the Proportions *per cent.* for each of the Agricultural, Commercial, and Miscellaneous Classes in the under-mentioned Periods, in the British Empire as ascertained by the census for the respective periods:—

	1811.	1821.	1831.	1841.
	per cent.	per cent.	per cent.	per cent.
Agricultural -	- 35	33	28	22
Commercial -	- 44	46	42	46
Miscellaneous -	- 21	21	30	32
	<hr/> 100	<hr/> 100	<hr/> 100	<hr/> 100

Census, 1841, Part III. Introd. p. 2.

THREE TIMES those engaged in other pursuits, and in the states in the valley of the Mississippi no less than *seven times* their number.* That is, the power of human labour over subsistence — of the hands of man over his mouth — is ten times greater in the old and closely-peopled realm of Britain than in the rising and thinly-peopled realm of America, and three-and-twenty times greater than in the young states beyond the Alleghany mountains, the garden of the world! It may be doubted whether experience ever yet offered so decisive a refutation of human error since the beginning of the world.

Let us not deceive ourselves, therefore, nor ascribe to the laws of nature the misery arising from the erroneous tendency of human institutions. There is food enough in the land and to spare; the surplus of it produced by the cultivators is daily and rapidly on the increase. The agriculture of Great Britain has stood a strain and kept pace with an increase in the demand for its produce

* Agriculturists beyond the Alleghany in America 2,092,250

All other classes	-	-	-	-	287,751
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Or about $7\frac{1}{2}$ to 1.

Agriculturists all over America	-	-	-	-	3,717,756
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All other classes	-	-	-	-	1,078,680
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Or about $3\frac{1}{2}$ to 1.

Agriculturists in Great Britain in 1841	-	-	-	-	1,215,264
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All other classes	-	-	-	-	3,482,189
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Or nearly 1 to 3.

American Census, 1841.

These figures seem to demonstrate that Mr. Alison's argument against Malthus is well founded, and that so far from population advancing faster than subsistence, subsistence, as society advances, is constantly acquiring a greater power over population.—See Alison *On Population*, i. 61.

during the last fifty years to which few parallels are to be found in the history of mankind. Nor are our resources by any means approaching their natural limits. On the contrary, they are as yet only in their infancy ; and by a vigorous application of science and industry the land could with ease be made to maintain three times its present number of inhabitants. Capital exists, and to profusion, amply sufficient to give full and profitable employment to the whole community. Labour adequate to any possible expansion of industry is at hand. Above two millions of destitute persons are pining for employment in Ireland alone. Our colonies are increasing with unheard-of rapidity. Nearly two millions of souls now exist in British North America ; and the hundred and forty thousand in Australia alone consumed in 1843 no less than 1,211,815*l.* worth of British produce, or nearly 10*l.* worth a-head.* Yet with all this, great and wide-spread distress generally exists among the working poor, and whole classes of society in the more affluent ranks are gradually slipping down to a state of insolvency. That is the prodigy of our times ; that it is of which it most behoves us to discover the cause ; that it is of which the cause is to a large portion of the community unknown.

In investigating the cause of this extraordinary state of things, one fact of leading importance must, at the very first glance, strike every observer. It is, that the opulence which has flowed into the nation has been very far indeed from being equally distributed ; and that, generally speaking, the

* Porter's *Parl. Tables*, 1843.

landed interest have been as much impoverished during that time as the commercial has been enriched. There are, it is true, colossal fortunes vested in land, chiefly in the hands of the aristocracy, which nothing can shake, and which have only become the greater in relation to the expense of living, from the limitation of the currency, which has proved fatal to so many estates of inferior magnitude, both in land and manufactures, around them. From the general tendency of realised commercial wealth also to investment in its purchase, the income of the landholders, taken as a whole, has rather increased than diminished during this period, from the great number of estates which have passed out of the hands of labouring or insolvent old families into those of new and opulent commercial purchasers. But, notwithstanding this, nothing is more certain than that the landed interests, on the whole, have been in great distress during the last five-and-twenty years; and that for a considerable part of that time their embarrassments were absolutely overwhelming.

From 1826 to 1835 the table of the House of Commons literally groaned under the loads of petitions praying for relief to agricultural distress, which the low price of every species of rural produce in the four last of these years too plainly proved were well founded. No person practically acquainted with the condition of the middle or lesser landed proprietors in any part of the empire, during that time, can have a doubt on that point. Let any man of middle years examine the condition of the landholders, having from 500*l.* to 2000*l.* a-year, with

whom he began life thirty years ago, and he will find that two thirds of them are practically insolvent ; that nearly all are deeply in debt ; and that probably a half have sold their estates, and are now dragging out the last years of a useless life and wasted fortunes in what Dionysius of Syracuse called the most unhappy of all states — an indigent old age. The embarrassments of the landed proprietors are, with the exception of a few magnates, notorious and universal. This is decidedly proved by the prodigious extent to which commercial wealth is everywhere buying up the estates of the old gentry, and rooting them and their families out of the land. And, what is very remarkable, this state of things is just the reverse of what it was during the war. Agricultural industry was then not only amply, but splendidly remunerated ; rents were constantly rising ; the farmers rapidly made fortunes, and laid the foundation of the whole subsequent agricultural progress of Great Britain ; and the purchase of land with borrowed money was nearly as certain a mode of making a fortune as it has since become a losing one.

The next remarkable feature in the social state of Great Britain for the last quarter of a century has been, that capital has daily acquired a greater advantage over industry, or, rather, large capital over small. This may be regarded as the grand characteristic of the period, and which, in its ultimate effects through society, has produced more wide-spread and durable results than any other. Proofs of this occur on every side ; they lie, as it were, on the surface of things. The com-

mon complaint, that there is no getting on now without capital, and that mere industry and good conduct are very far indeed from being a passport to success, if unaccompanied with this advantage, is a proof how strongly it is felt in all classes of the community. The colossal fortunes made by great capitalists and manufacturers, contrasted with the innumerable bankruptcies of lesser adventurers in the same perilous path, is another proof of the same fact. Every person's experience, especially in the manufacturing districts and commercial towns, must have convinced him of the universality of this tendency. The common complaint, that the money power has become all-powerful — that its sway is paramount in the legislature — and that it is able to set all the other interests in the community at defiance, proves how generally this evil is experienced in all classes. And a most decisive proof of the universal sense of the overwhelming, and often despotic influence of capital has been afforded within this period by the simultaneous springing up, and astonishing multiplication, in all parts of the country, of joint-stock companies. These associations, comparatively unknown in former days, when isolated capital could make its way in the world, demonstrate the sense universally entertained of the inability of small or moderate fortunes, standing alone, to withstand the competition of the great commercial magnates. Like the defensive associations of disorderly or dangerous times, they are the combination of the weak who are endangered, against the strong who threaten danger.

But from this effort at self-defence has arisen another evil, of no small magnitude, and which may come, in process of time, to overthrow the equilibrium of society. These joint-stock companies have themselves become a great and formidable interest in the state: their sway in the legislature is well known to be superior to the East and West Indian and shipping put together. Falling, as they generally do, under the entire guidance of one or two active and skilful directors, they have in effect enormously augmented the influence, already preponderating, of accumulated capital; they often commit practically, almost with impunity, unbounded inroads upon private property. The obligation of giving compensation to property injured or taken is often rendered almost illusory, from the results of the trials to ascertain its value. Defying competition, such companies are often deaf to the cries of justice: industrial, as the French say, has come in place of territorial feudality; and probably men have already discovered, in most parts of the country, that a joint-stock railway company, with its patriotic professions, accumulated capital, legislative attorneys, skilled engineers, scientific witnesses, railway-stockholding jurymen, and legions of Irish labourers, is a more formidable neighbour than ever was feudal baron, with his mailed men-at-arms, stout archers, strong castles, and open announcement of destruction to his hereditary enemies.

The third feature of the last quarter of a century which is in an especial manner worthy of attention is, that while the growth of the national wealth, as

a whole, has been unprecedented, and of its population equally so in an old state, neither the one nor the other have advanced in a proportional manner over the whole country. Generally speaking, the urban population has immensely increased, and the rural by no means in the same proportion. In some counties the latter appears, from the late census, to have actually declined; in none, excepting the manufacturing districts, has it augmented in any thing like the proportion of the inhabitants of cities. This is matter of common remark, and generally known; but few are aware of the prodigious extent to which the difference has gone. Those who will cast their eye to the note will see a few examples of the difference in the progress of the rural and urban population, which will probably excite general surprise.* Nor has the increase of opulence in cities been less remarkable than the

• Towns' Population.		Rural Counties' Population.	
	1821.		1841.
London -	1,225,694	Argyle -	97,316
Manchester	154,807	Dumfries -	70,878
Liverpool -	131,801	Perthshire -	139,050
Glasgow -	147,043	Devon -	439,040
Dublin -	185,881	Westmoreland	51,359
Birmingham	106,722	Northumberland	198,965
Edinburgh -	138,235	Salop -	206,153
Bristol -	87,779	Buckingham -	134,068
Leeds -	83,796	Hereford -	103,243
Dundee -	30,575	Wilts -	222,157
	1,873,676		258,733

The general average in both Ireland and Scotland is an increase of $4\frac{1}{2}$ per cent. in the rural counties, but in the manufacturing counties of Great Britain it is $27\frac{1}{2}$ per cent. — *Census.*

augmentation in the number of their inhabitants. The daily display of wealth in the metropolis excites the astonishment of every beholder. It is not going too far to say that it is double of what it was at the close of the war. Manchester, Liverpool, Birmingham, Glasgow, Leeds, Bristol, Dundee, Aberdeen, and all the trading towns of the empire, have advanced in a similar proportion, not merely in the opulence of a few, but the evident ease and well-being of a considerable proportion of the community. It is impossible to see the streets of comfortable houses calculated for persons of a moderate income, and the miles of villas beyond them for those more advanced in opulence, without becoming sensible that prosperity has almost every where descended far in society in the urban population.

But there are by no means the same symptoms of growing prosperity in the rural districts. We see, indeed, cultivation every where extended, and the most strenuous efforts frequently made to drain and improve the soil, but we perceive scarcely any traces of these exertions leading to the accumulation of fortunes among their authors, to which they are so well entitled. It is painfully evident that these efforts are made, not to accumulate money, but to avert ruin. The farmers are contented if they can live: to make fortunes has become so rare among them, that it is scarce ever thought of. We often hear of shopkeepers and merchants buying villas in the country to enjoy themselves in summer, but we never hear of farmers buying houses in town for recreation in winter. They do

not even acquire small properties in the country. Wealth is evidently not accumulating in the hands of the cultivators of the soil. If they can pay their rents and maintain their families they deem themselves fortunate. The middle class of landholders even have almost ceased to frequent towns in winter; the pretext is, that they are going abroad, or are sending their children to the Continent for education: the real fact, that they cannot afford living in towns in Great Britain, and they are fain to hide their straitened circumstances under the obscurity of a foreign country. The affluence of the towns is astonishing; but those at present engaged in the labours of agriculture, or in the receipt of its rents, add but little to it. It is derived from manufacturing or commercial opulence, from professional gains, from fortunes brought back from the colonies, or from capital realised from, or rendered a burden on, land in former and more prosperous times.

The last feature—and it is a most distressing one—of society for the last twenty-five years in the British islands has been the extraordinary inequality in the condition of the working classes themselves, and the general want of those habits of foresight amongst them which are the only lasting foundation of durable prosperity. This is the more distressing, as it might reasonably have been expected to have arisen with the advantages many of them have enjoyed. It is a great mistake to say the working classes are all permanently miserable. Many of them doubtless are so; and what is very

extraordinary, certain professions, or trades, are generally immersed in poverty, while others in their close vicinity are often rioting in affluence. Wages differ in a remarkable and most distressing degree in different places. In many of the agricultural districts they are as low as 7s. or 8s. a week: — the piecers and female workers in manufactories seldom, save in years of extraordinary prosperity, earn more than 6s. Weavers are generally as low as 7s. a week: in seasons of distress they sink to 4s., and even less. On the other hand, the cotton spinners, iron-moulders, and other skilled trades, earn, in ordinary years, from 20s. to 30s. a week; but the affluence of some professions or branches of labour affords no compensation for the degraded and unhappy state of others. It is impossible to strike an average in such cases: you might as well make an average of the happiness of some, and the sorrows of others, in private life. Perhaps, however, those of the labouring classes who are in health and employment and belong to trades which are in a state of prosperity are fully as well off as they were during any former period of our history.

Their wages, indeed, are, in many cases, thirty or forty per cent. lower than they were during the war; but provisions, and the other necessities or comforts they require, have fallen in a still greater proportion, and their condition, consequently, has been in no way depressed; on the contrary, it has been rather improved by the fall. Many of them in towns, or the manufacturing districts of the coun-

try — such as colliers, iron-miners, iron-moulders, cotton-spinners, calico-printers, engine-makers, letterpress-printers, or the like — are in the receipt of from twenty to thirty shillings weekly; and if they have children, the total gains of the family not unfrequently run from forty to fifty shillings. But the philanthropist can scarcely contemplate these gains with satisfaction. They have evidently and painfully outstripped the growth of the artificial wants and regular habits by which the use of augmented incomes should be regulated. They are, for the most part, dissipated in the most wasteful and ruinous debauchery. They breed selfishness, gluttony, and drunkenness in the head of the family; destitution, strife, and broils in his wife and children.* There is not, generally speaking, a more unhappy class in society than the families of the operatives who earn high wages, or one which furnishes more numerous additions to the hideous mass of destitution which always is accumulating in the lowest stratum of society.

But it is this condition of the poor in this lowest grade which is the most extraordinary feature of the last twenty years, and which has now assumed such a magnitude as to have become, in every point of view, a national concern. The hand-loom weavers are every where at the starving point; with the utmost industry they can never earn more than

* There are, of course, many exceptions to this rule; but the observations in the text will be recognised as generally true by all persons practically acquainted with the subject.

seven or eight shillings a-week ; during periods of commercial depression it sinks to four or five. The ease with which this trade can be learned, its adaptation to weak or sickly constitutions, the early gain made by young persons, with the immense temptation to a poor family of avoiding a protracted or expensive education for their children by adopting it, is the cause of the universal lowness of wages in this branch of industry. It is the first step above total destitution. But this magnitude and condition of the destitute class itself is the alarming thing. In every great town in the empire there is a mass, about the twelfth or fifteenth of its number, who are generally in a state of almost total penury. In periods of commercial distress this destitute body rises to double, sometimes triple, its average amount. It is from this frightful accumulation of poverty, intemperance, vice, and destitution that two thirds of the physical contagion which ravages, and four fifths of the convicted crime which burdens society takes its rise. The alarming increase of offences which penal severity and lenity, uncertainty and certainty of punishments, have been alike unable to restrain, mainly comes from this class.

Close packed in the centre and worst parts of every great city — crowded together, many families in the same room — scarce knowing where they are to find their daily food — careless because destitute, often joyous because always unforeseeing, this deplorable body are retained within the precincts of contagion and vice by the iron bonds of

hopeless poverty. It is impossible that regular or virtuous habits can be acquired, it is scarcely possible that those of intemperance and wickedness can be avoided, in their dismal abodes. If we penetrate into them we shall find that they are not peopled by any one class of society, but by the unfortunate, the reckless, and profligate from every class; and that the great majority, even of the criminals, are rather the objects of pity than censure. Widows with large families form the most numerous portion of this dreadful community; destitute old men, young thieves, abandoned drunkards, licentious prostitutes, shameless publicans, audacious receivers of stolen goods, and once virtuous families, brought into such hideous society, by being thrown out of employment, compose the remainder. And all this exists unnoticed, unrelieved, within a few hundred yards of the most unbounded opulence, amidst luxury unheard of, prosperity unexampled, and in a community making a more rapid progress in material resources than any that ever yet appeared upon earth.

For a long period after the conclusion of the war it was said that the public distress, which was so generally and poignantly felt by all the industrious classes, was owing to the transition from the vast national expenditure of the war to the comparatively limited expenditure of the peace; and without doubt this cause, for some years, had a very powerful influence. But it has long ceased to have any effect. It is rather too late now to speak of

the transition from war to peace prices, when we are in the thirtieth year of unbroken European peace; when we have during that time twice had, in 1824-5 and 1835-6, a perilous plethora of exuberant prosperity, when the duplication of our imports proved a corresponding increase in the means of purchasing foreign luxuries, and the tripling of our exports has more than counterbalanced the diminished purchases or expenditure on the part of government.

The imprudent remission of indirect taxes since the peace, by successive administrations running against each other in the race for popularity, amounting in all to about 30,000,000*l.*, has been justly stigmatised as the main cause of the present and long-continued embarrassments of the public treasury. But, without disputing the justice of many of these strictures, and cordially concurring in the censure of that temporising policy which purchases present popularity at the expense of future safety, it may reasonably be doubted whether this precipitate abandonment of indirect taxes was not itself rather an effect than a cause, and whether some great overruling necessity has not existed at the time when this unwinding of the state machine was going on, which rendered it a matter of impossibility to resist the cry of the parties interested in the several branches of our industry for a remission of the duties with which they were burdened. Two things throw much light on this question. 1. The great abandonment of indirect taxes has taken place since 1819; those repealed from the battle of Waterloo to that time

amounted only to 1,200,000l.* 2. The indirect taxes since 1819 have repeatedly been found to be unproductive. This was publicly stated by Sir R. Peel as the chief reason for reverting to a direct property-tax in 1842, and it had been found before, that the addition of the ten per cent. made to the assessed taxes, to compensate the loss by the reduction of the post-office duty, had produced scarcely any addition to that branch of the revenue. When therefore government, between 1819 and 1845, repealed about 30,000,000l. of indirect taxes, it may reasonably be presumed that so prodigious a sacrifice, so embarrassing to the exchequer, and so obviously fatal to the sinking fund, and all hopes of paying off the debt, would not have been made but under the pressure of some very stringent necessity.

* Viz. :—

Indirect Taxes repealed before 1819.	Indirect Taxes repealed since 1819.
1814 - - £932,000 1815 - - 222,000 1817 - - 37,000 1818 - - 9,500 <hr/> £1,200,500	1821 - - £ 471,000 1822 - - 2,139,000 1823 - - 4,185,000 1824 - - 1,801,000 1825 - - 3,676,000 1826 - - 1,967,000 1830 - - 4,070,000 1831 - - 1,588,000 1832 - - 747,000 1833 - - 1,000,000 1834 - - 1,200,000 1838 - - 1,500,000 1842 - - 2,400,000 1845 - - 3,308,000 <hr/> £30,062,000

The property-tax, war-malt, and house were direct war taxes.

And that some great and overpowering cause has paralysed the financial resources of the country during the last five-and-twenty years, to which it formerly was a stranger, is evident from the following consideration. The sum raised by taxes in the year 1815 was 72,000,000*l.* : and the population of the empire was at that period about eighteen millions. Deducting the property and war maltaxes, which were repealed in 1816, and amounted to 18,000,000*l.* there remains 54,000,000*l.* raised at that period, by indirect taxes, on eighteen millions of inhabitants. These eighteen millions of people have now swelled to twenty-eight millions in the present year; and if none of the taxes had been repealed, and the resources of the empire, as measured by money, had continued unimpaired, these twenty-eight millions should now have produced, at the same rate per head, 80,000,000*l.* a-year of income. But the resources of the empire, as proved by its exports, imports, and shipping, have increased in that time not fifty, but above a hundred per cent. : the exports alone, which were then 51,000,000*l.* being now 130,000,000*l.* and our imports, which were then 32,000,000*l.* having now risen to 70,000,000*l.* There cannot be a doubt, therefore, that had no extraneous cause intervened, the exports of the nation having more than doubled, the imports doubled, and the population advanced a half, the revenue raised by taxes, supposing the rate of taxation to have remained unchanged, should have been at present at least 90,000,000*l.* yearly. Is there any man supposes it possible, by any effort, to raise such a sum at this time from the empire;

when, with the aid of a fine harvest, prosperous commerce, and the income-tax, the revenue raised in 1843 was only 56,000,000*l.*? It was evidently impossible, situated as the country has been for the last twenty-five years, to have kept on the large indirect taxation existing at the peace, and under which the nation thrived and prospered during the war.

Some external causes, therefore, must have paralysed and blighted the financial resources of the nation in the midst of such unbounded and increasing growth of the national resources since the peace. And the all-important question arises—What was it which had this effect?

The answer is—It was the CONTRACTION OF THE CURRENCY, which was unnecessarily made to accompany the resumption of cash payments by the bill of 1819, which has been the chief cause of all these effects.

We are well aware of the distaste, amounting in many cases to positive repugnance, with which this subject is regarded by a large portion, probably a great majority, of readers. We are equally aware that the statistical references, by which alone it is possible to arrive at correct conclusions on the subject, are still more an object of aversion, and that the very sight of the columns of figures is sufficient to make numbers close the volume in despair. We have, therefore, prefaced the remarks which follow with the preceding detail, to demonstrate the vast importance to all classes, of the questions involved in this disquisition. And we have condensed the whole statistical facts requisite for the argument into one table, embracing every

thing of value relating to the subject, which has been compiled, with no small labour, from a great variety of sources, all furnished by parliamentary reports, and which may be relied on as correct. It appears to us that this table is decisive of the present question; and, at all events, it furnishes ample subject for reflection, and affords the materials from which alone a correct opinion can be formed on the subject. It well deserves, therefore, the most careful attention on the part of all who are interested in the finances, public or private, of this great empire; and who is there who is not directly or indirectly interested in both?

It need hardly be told to the most heedless or superficial reader, that a currency is required to carry on the transactions, public and private, of men in their intercourse of exchange with each other; that it consists, in general, of the precious metals, which, by the common consent of men, are employed, and have been so from the earliest period, for that purpose, on account of their being at once rare, durable, and portable; and that, in civilised and mercantile communities, paper notes, of some sort or other, have been usually resorted to in modern times to meet the wants of commerce, and remove the evils which may be frequently felt from the supply of the precious metals being less than the community require.

It follows, as a necessary consequence from this, that, when the commercial transactions of a nation increase, the circulating medium should increase also. This is as necessary a step as that, when a people increase, the subsistence by which they are

to be maintained should be augmented in a similar proportion. If twenty millions of men, on an average of years and transactions, require 40,000,000*l.* of circulating medium to conduct their transactions, and if those men swell to thirty millions, they will require, other things being equal, sixty millions for their transactions. If a supply proportioned to the increase of men, and the wants of their commercial intercourse, is not afforded, the circulating medium will become scarce ; it will rise in price from that scarcity, and become accessible only to the more rich and affluent classes. The industrious poor, or those engaged in business, but possessed of small capital, will be the first to suffer ; they will find it impossible to get the currency necessary to carry on their business, and will fail in consequence. To retain the circulating medium of a nation at a stationary or declining amount, when its numbers are rapidly increasing, and their transactions are daily augmenting in number and importance, is the same thing as it would be to affix a limit to the issuing of rations to an army, at a time when the number of the soldiers it contained was constantly augmenting ; or to reduce the quantity of oil used in a machine, when the wheels which required its appliance were always on the increase. The inevitable result would be, that numbers would be famished in the first case, and the weaker parts of the machine impeded by friction in the second.

When the precious metals, either over the whole world, or in a particular state, become more abundant than formerly, the necessary consequence is,

that they become less valuable, and consequently decline in price. But as, by the custom of all civilised nations, value is measured by a certain amount of the precious metals, either coined or uncoined, received or capable of being received in exchange for them when brought into the market, this decline in value in the circulating medium is rendered apparent by a rise in the money price of all other articles. For example, if a quarter of wheat is worth, or will buy, at a certain time, in a particular country, half a pound weight of pure silver, and by a sudden addition to the productiveness of the mines which supply the world with the precious metals, the amount in circulation is doubled, the result will be, that a quarter of wheat will be worth, or will sell for, a whole pound of pure silver. And, *e converso*, if the supply of the precious metals is again contracted to its former amount by a failure in the sources from which they are obtained, or an extraordinary absorption or hoarding of them in any particular part of the world, so that the currency in that country is restored to its former and more limited amount, the quarter of wheat will again come to be worth, or to be equal in value in exchange, to half a pound of pure silver only. All this is the necessary result of the principle, that commodities are valuable and bring high prices when they are scarce, and decline in exchangeable value and bring low prices while they are abundant, which is universally and constantly evinced in the transactions of private life.

The vast addition made to the amount of the precious metals in circulation over the world by the

discovery of the mines of Mexico and Peru, which, in the space of half a century, at least doubled their amount, had a very great effect upon the money price of all the articles in human use. They universally rose to double and sometimes treble their former level. The vast difference between prices in former times and what they now are — for example, between the wages of labour in the time of William the Conqueror, when they were a half-penny a-day in ordinary times, and a penny in harvest, and these days, when they are eighteen-pence in general, and thirty-pence in harvest, is owing to the continued effect of the vast addition made during three centuries to the currency of the Old World by the discovery of the gold and silver mines of the New. It was, as Dr. Johnson said of eggs in the Highlands, not that labourers were many in former times, but that pence were few.

The supply of the precious metals, coined and uncoined, from the rich mines of Mexico and Potosi, was tolerably steady through the whole of the eighteenth century, and from the year 1800 to 1810, amounted, as appears from the details collected by Humboldt, to about ten millions sterling a-year.* About half of this treasure was coined into dollars, and the other half remitted in bullion and bars to Europe. But upon the occurrence of the revolution which broke out in Spanish America in 1810, in consequence of the French invasion of Spain, and which terminated, after thirteen years of turmoil, bloodshed, and revolution, in the independence of the South American states in 1823, this supply

* Humboldt, *Nouvelle Espagne*, vol. iv. pp. 172. and 279.

underwent an extraordinary diminution. It fell, on an average, to a half, in several years *to a fifth part* of its former average amount; and such has been the destruction of capital and ruin of credit in Spanish America, in consequence of the incessant civil war and successive overthrow of governments which have ever since taken place in those vast regions, that the supply continues at a very low rate. The table in the Appendix, taken from Porter's Parliamentary Tables, amply demonstrates this. So complete was the destruction of the capital engaged in mining during these deplorable convulsions, that the mines were generally abandoned, the machinery in them went to ruin, and the scanty supply of the precious metals obtained for the necessities of European commerce was got by picking up by the hands of slaves the bits of silver out of the dross thrown out of the mines in former and more prosperous days, or melting down the vases and utensils of silver and gold, which had been accumulated during the preceding three centuries in the opulent Spanish families in South America, who were ruined by the revolution, and sold their moveable property for subsistence. The city of Potosi sank by the effect of these convulsions from 150,000 to 8000 inhabitants. The remarkable fall of prices which has taken place in Great Britain, and generally over Europe, since the termination of the war, is in great part to be ascribed to this cause. It was the counterpart of the great rise of prices which followed the discovery and prosperous working of the South American mines in the sixteenth century.

Such a rise in the money price of commodities, as is the result of a great and steady addition to the supply of the precious metals throughout the globe, gives a great and important impulse to industry. This arises from two causes. In the first place, it has a tendency to produce a gradual rise of money prices of commodities on an average of years, and therefore remunerates, in an ample manner, both the dealers in those commodities, and the persons who exert their labour on them, or on the raising of raw produce. In the next place, it diminishes in a corresponding degree the weight of debts, and the oppressive burden of money obligations; because, as the money payments to be made in discharging those obligations remain the same, and the prices obtained for the sale of commodities or the wages of industry are generally rising, the real amount of the debt is, on the whole, diminishing. This state of things is eminently favourable to farmers, landlords, manufacturers, artisans, and merchants; because their payments, especially in old debts, are fixed in money amount, and the prices they obtain for the produce of their labour are constantly on an average of years rising. It is, in a corresponding degree, unfavourable to capitalists, bondholders, annuitants, and creditors, because their money payments, *ceteris paribus*, remaining the same, and the price of all the articles of life rising, their property and income are in reality diminished. But as the industrious and producing class is much more numerous than the money-holding and creditor class, the general character of such periods is that of prosperity; and even the monied man is

often more than remunerated for the fall in the exchangeable value of his wealth, by the regular and profitable employment which he can find for it, and the high rate in consequence which interest always bears. But upon the annuitant, who has not that advantage, it is a period of constant difficulty, owing to the rise in the money price of commodities, and often of severe distress. This was, generally speaking, the condition of producing classes, capitalists, and annuitants, during the fifteen last years of the war. But the comparative penury of the last was entirely forgotten in the affluence of the two former; and thence its prosperous character, and, in a great degree, glorious termination.

Such a fall in the money price of commodities as is the result of a great and lasting contraction of the currency, either throughout the globe, or in a particular state, is followed by results in every respect the opposite of these. This arises from two causes. In the first place, such a contraction has a tendency to produce a general fall of money prices in all the commodities of commerce, and all the branches of produce, and consequently to diminish, on an average of years, and often with most ruinous and distressing rapidity, the money returns obtained by the industrious and trading classes. Commodities purchased, instead of rising, fall in money value when in the buyer's hand—that at once extinguishes, in the case where it obtains, the whole profit of stock. Wages sink from the reduction in the price of their produce, and a considerable period often intervenes before this is compensated by the general fall in the price of

commodities. In the second place, the money weight of obligations is seriously, and often ruinously, increased; because the money payment, whether in interest or capital, due to the creditor or lender remaining the same, and the prices obtained for the labour or produce from which it is to be defrayed undergoing a constant diminution, the real amount of the debt is continually on the increase. On the one hand, such a period is eminently favourable to capitalists, creditors, and annuitants, if their debtors only remain solvent; because, as the amount of their money income remains the same, and the price of the various articles they require to purchase is constantly diminishing, their condition is daily becoming more prosperous.

But this augmented value of capital and income during such periods is often most seriously compensated by the difficulty of finding a profitable employment for it amidst the multiplied and protracted difficulties of the producing class, owing to the constant fall in the price of commodities and wages of labour. The sudden addition made to the value of money makes a proportional increase of available capital, and this leads rapidly to a diminution of the interest of money, as great a relief to the debtor as it is a subtraction from the gains of the creditor. And, on the other hand, the effects of this distressing fall itself are often much alleviated, and sometimes entirely removed, by the rise in the value of capital and income in the hands of the monied class, such as fundholders, bondholders, and the like, whose income does not fluctuate with the price of commodities, and the augmented expenditure

in luxuries and conveniences which they become able to afford from the fall in the money price of the articles which they consume. But, generally speaking, such periods of contracted currency, and consequent fall of prices, are those of increased wealth, augmented comfort, and great extension of the inhabitants of towns, because they are the centres where fixed monied income and extensive capital are to be found. On the other hand, the same periods are distinguished, generally speaking, by distressed circumstances, diminished fortunes, and frequent insolvency, among both the cultivators of the soil and holders of land in the country; because, their money engagements remaining fixed, while the money price of their produce is on an average of years sinking, the surplus remaining at their disposal is constantly decreasing, and frequently entirely swallowed up.

Generally speaking, a period of extending currency is one in which industry, resting on *small* capitals, meets with great encouragement, and such small capitals rapidly increase, because the progressive rise in the average price of commodities renders individual occupations profitable, and in general produces a lucrative return on the purchase and sale of articles of commerce. In such a period, the monopoly and exclusive advantages of large capitals are seriously infringed upon by the profits and exertions of smaller manufacturers and traders; and the growth of accumulated profits, or capital, is rapid among the humble members of every branch of industry. Small farmers and cultivators in the country quickly realise considerable gains; large

ones, in favourable circumstances, frequently make fortunes.

On the other hand, the opposite period of a contraction of the currency, and consequent fall in the money price of all the articles of human consumption, is one in which great profits are sure to be realised by the larger capitalists, and great losses sustained by the smaller. The former prosper, because the magnitude of their transactions enables them to realise a handsome income upon the whole, from a declining and at length almost inconceivably small amount of profit from each transaction; and they gradually get the monopoly of the market in their own line of business, by the extinction of the lesser capitalists, whom the fall in the price of commodities has ruined, or the diminished profits have repelled from entering into competition with them. The latter are involved in difficulties, and for the most part in the end reduced to insolvency, by the constant fall in the value of the articles in which they deal, and the minute fractions to which the profits of production are reduced. Small traders, therefore, and farmers without capital, are speedily ruined in such a state of things; and this labouring or destitute condition is only rendered the more distressing, by the contrast which it affords to the wealth and splendour with which the holders of large capital in the same line of business are surrounded.

For a similar reason, a period of extended currency is one in which the smaller as well as larger landholders are prosperous and affluent; because the progressive rise in the price of agricultural pro-

duce renders the cultivation of the soil a profitable employment, and brings in lucrative returns alike to the small cultivator and inconsiderable landholder. But a period of contracted currency is one of embarrassment, difficulty, and generally, in the end, of insolvency to the small farmer and moderate landholder; because, their money debts being fixed, and the price of their produce diminishing, the difference between the annual charges of the former and annual returns of the latter, on which they must live, is constantly getting less, and at length disappears altogether. But the great landholders in the country, as the capitalists in the towns, are relieved, in a great measure, from this difficulty; because the magnitude of their income, even though their debts are considerable, in general leaves them a large surplus to live upon, which the fall in the price of the commodities which they have to purchase, and the reduction in the interest of their debts owing to the growth of capital, renders as available to the purposes of luxury and convenience, and sometimes more so, as the more extended income of former times, when currency was more abundant, and money prices and rents consequently higher.

And, for the same reason, the public debt of the state, if contracted, or in great part contracted, during a period of extended currency and consequent high prices, is sure to be ruinously augmented in relative weight if it comes to be paid off, or even its annual interest discharged, in a period of contracted currency. It is evident that the charge of the debts of the state must, in the end,

be defrayed by the industry and produce of its inhabitants, just as the charges of the bonded debts of a landholder must be defrayed by the produce of the industry of his tenants or labourers. If, therefore, the debts of the state are considerable, their weight, how great soever in point of nominal amount, will not be sensibly felt, nor much complained of, during a period of expanded currency and consequently rising prices, because the state, resting on the industry of its people, will possess the means of readily defraying its charges. But it will come to be seriously burdensome, and in the end may become ruinously oppressive, if the currency is contracted, and prices in consequence fall, because then, the money obligations remaining the same, and the prices of the produce of industry continually falling, the difference between them, on which the state must live, is constantly growing less, and in the end may be entirely swallowed up.

All attempts to pay off a public debt contracted under high prices, and during an exuberant currency, when the currency has been contracted, and prices have in consequence fallen, will be found to be difficult, if not impossible. A considerable contraction of the currency, to the extent, perhaps, of a third or a half, at once adds a third or a half to the real amount of the whole debt, public and private, of the country. And the only way, in such a state of things, in which any considerable relief can be obtained, either by private debtors, or the state itself in meeting its current obligations, is by effecting a reduction in the rate of interest paid to the private or public creditors; a mode of relief,

however, which, in consequence of the difficulty of finding a profitable investment for the vast and growing accumulation of capital in the hands of the monied classes, from this increase of its exchangeable value, as well as real addition to its amount, often affords a very considerable relief.

It is a bad and most melancholy effect of any considerable and durable contraction of the currency of a country, in which the state and the individuals composing it are extensively involved in money obligations, that its uniform result, after a course of years, is a considerable, and, in many trades, most distressing reduction in the wages of labour. This is the inevitable result of the reduced prices obtained for the various productions of industry; because the money debts of persons engaged in manufacture or the cultivation of the soil remaining the same, and the money prices received for the produce of this labour constantly declining in price, their only resource is to reduce the cost of production, either by the introduction of machinery, or a reduction in the money wages of labour. Immense are the efforts which human ingenuity makes to achieve this object in both these ways, and extraordinary the success with which the efforts to attain the first are often attended. The second method, viz. by reduction in the money wages of labour, is generally effected by the substitution, where that is practicable, of the labour of children or young persons for that of adults, and of women for that of men. In many of the departments of agriculture this is possible only to a very limited extent, owing to the fatiguing labour, unfit for

children or women, which is there required, and the small number of rural operations, at least in the fields, to which it is possible, by any ingenuity, to apply machinery. But in manufacturing industry, it is frequently possible to substitute the labour of children or girls for that of men to a very great extent; while, at the same time, the prospect of rendering children and young females an immediate source of gain instead of a burden, operates as the most powerful of all inducements to the working classes, in the neighbourhood of such establishments, to tender their children, even of the most tender age, for employment in the mills and factories.

The multiplication of such juvenile workers has an immediate tendency to lower the wages of labour to the adults, generally speaking, engaged in the same lines of business; because an immense mass of young competitors for labour are introduced, who are just as capable as their seniors of performing the different branches of labour in connection with machinery, and are willing to do so at a much lower rate of wages. Thus the wages of most of the classes employed in manufactures rapidly fall during a period of contracted currency; and the only exception to this decline obtains with those workmen whose employment requires so much either of strength or skill as to exclude the competition of such juvenile or feminine competitors. On the other hand, the wages of labour in agricultural districts are less affected, at least for a considerable time, by such a change, because great part of the labour in the fields cannot be done by women or children, and robust arms are happily yet

required to steer the ploughs and cut the drains. The tendency of the stream of labour, too, is always from the country to the town, not from the town to the country, on account of the superior sensual attractions to be found in cities, and the greater chance of prizes in the vast lottery of life that is there presented. But the wages even of country labour must come to be in the end affected by the extensive introduction of children and women into the urban manufactories, by reason of the diminished number of males who can obtain an entrance into such seats of manufacturing industry, and the augmented number who must, consequently, look for employment in the different branches of country labour.

All these consequences are the natural result of the fact, that the currency, or the exchangeable medium by which the transactions of men are carried on, is a commodity which varies in price as much as any other in which men deal, and, indeed, from its being so portable and contracted in bulk, is generally more liable to such fluctuation in value than any other article of human commerce. But the extraordinary fluctuations in the value of the currency are concealed in general from the observation of men, in consequence of the currency itself being the universal measure of value, and therefore of its apparently standing still and remaining fixed while every thing is rising and falling around it. It is as difficult to get the great bulk of men to understand that it is the currency *itself* which is often shifting in value, when great changes of prices are going on around it, as it is to make

them comprehend that the earth is moving rapidly through the heavens, when it appears to them to stand still, and to be surrounded by the sun, moon, and stars, which are revolving around it. But the incessant motion of the currency, either in advancing or receding, which generally appears by the rise or fall of prices, is just as certain as the motion of the earth around the sun, and attended with effects not less momentous upon the material interests of men. The price of gold under the present law, indeed, of necessity remains fixed: but that stability is gained only by the most disastrous changes in the prices of every thing around it. Prices are no doubt affected by the plenty or cheapness of the article priced, as they are by the plenty or cheapness of the circulating medium which forms the price; but the latter change is just as frequent as the former, and is attended with effects more durable, because less susceptible of remedy by the recurrence of plentiful seasons or fine harvests. And the next generation will be as generally convinced that great part of the fluctuations of prices is owing to fluctuations in the value of the circulating medium, as the present is that the alterations in the relative position of the earth and the planets is owing to the motion of the former as much as of the latter.

The coining of gold and silver, which is universal in all civilised nations, and affixing to them one definite and permanent value by authority of law, has no effect whatever in preventing the fluctuations in the real value of the current coin of the realm. Government, indeed, may direct, that the

gold, silver, and copper coin shall all be of a certain weight and fineness, and to secure its being so, take the coining of the precious metals entirely into their own hands. Nothing can be more proper than that they should do so; but the real value of the coin is just as subject to fluctuation as that of the gold and silver bullion from which it is made. You always get, indeed, a sovereign of a certain weight and fineness from the Mint or the Bank, but it is a vain illusion to suppose, on that account, that you have got a substance of fixed and unchangeable value, on which you may securely rest at all times, as indicating property of the same amount. Go into Mark Lane, or Smithfield Market, or any shop in Holborn, and you will find that it will buy at one time fifty, or even a hundred per cent. more of the same article than at another. It will do this, too, often without any change in the relative quantity of such articles in the market, from the mere force of the increased or contracted amount of the circulating medium itself. Ample proof of the reality of such changes of value, from the mere force of changes in the amount of the circulating medium, will be found in the general table following in the Appendix.

Every person knows, that the currency of the British empire has, for above a century and a half, been composed, not merely of the precious metals, forming part of that circulating medium, and, generally speaking, convertible into it on the demand of the holder, but also of a large quantity of paper, of different kinds, intended to represent value to a certain amount. That paper is always either the obligations of individuals, or private

mercantile firms, of banking companies founded upon private or public credit, or Government. Powers of attorney to sell the three per cent. consols or other Government stock, Exchequer bills, Bank of England or private bankers' stock, railway companies' stock, bank-notes of the Bank of England or private banks, and the bills of private companies or individuals, constitute the general currency of the country, as much as the sovereigns, half-sovereigns, silver shillings and sixpences, and copper money, issued by Government from the Mint. So great is the extent of paper of these various kinds representing value, that it is generally four or five times greater than the whole value of the precious metals in circulation. The total amount of the currency, properly so called, that is, bank and bankers' notes, gold, silver, and copper money, is estimated by Mr. M'Culloch in years of prosperity at 72,000,000*l.* sterling in the British empire, of which not above 23,000,000*l.* consists of gold and silver. In ordinary years, the average circulation of the whole empire may be taken at 60,000,000*l.* or 63,000,000*l.*, of which two thirds is in bank notes, and the remaining third in specie. On the other hand, the amount of bills of private companies and individuals, circulating, on an average, in the empire, has been calculated by a very competent professional gentleman at 132,000,000*l.* sterling.* So vast is the proportion which the paper, either of public or private individuals, bears

* Mr. Leatham, a respectable Yorkshire banker, in *Transactions of Scientific Association*, 1839.

to that of the circulating medium, in which it is ultimately to be paid.

It is frequently said both by philosophical writers and practical men, that the reason why paper is so often preferred to a metallic currency is "because it is cheaper and more convenient than gold."* There can be no doubt that these advantages constitute one important recommendation of bank-notes. But they neither are their only or main recommendation; as is proved by the fact, that the stage of society in which the necessity for a paper circulation is most strongly felt, is not the earliest, when economy is so great an object, but the latest, when the hoarded wealth of the state, in the form of capital, has almost become excessive. The real reasons which then so strongly recommend a large intermixture of paper with the precious metals in the ordinary circulation of the state are these.

1. It quadruples the amount of capital which bankers can render available to the purposes of commerce, or the sustaining of industry, and which when prudently directed, as it has long been in Scotland, is speedily converted into fixed and durable improvements, bringing in a lasting revenue to the community. Solid wealth in the shape of bullion or specie is of very slow growth, and from its high price and intrinsic value is not susceptible of any sudden addition. A commercial community, therefore, or a great manufacturing empire, which

* Evidence of Messrs. Jones and Norman, Parl. Bank. Com. 1841.

requires at times a great increase of available capital, beyond what is wanted at others, cannot dispense with the auxiliary aid of a paper circulation, because such paper is alone capable of expanding or contracting according to the fluctuating necessities of a commercial community. Ten millions additional sovereigns cannot be issued at a short warning from the Mint, and if issued, what is to come of them after the temporary purpose for which they were issued has ceased? But ten millions of bank-notes can be issued without difficulty in a week; and if the community no longer requires them, if they are no longer kept afloat by passing from hand to hand in the circulation, they are paid into the Bank, and cease to be a burden either upon those establishments or the national fund.

2. A paper circulation, when based on the right principles, is capable of *expanding* when the precious metals from the operation of political or commercial causes go abroad, and thus of preventing those dreadful, and, when often repeated, ruinous shocks to credit, which arise from the sudden contraction of the currency during a period of extensive national or individual transactions. This is an advantage of the *very highest importance*, because it provides a remedy for by far the greatest political and social evils which arise out of a state of high civilisation. In such a state, a drain of the precious metals is of frequent, almost periodic, occurrence, from causes beyond the reach alike of human foresight or prevention. The sudden breaking out of a foreign war, as in 1793: a national

panic, which produces a general hoarding of the precious metals, as in spring, 1797 : a vast demand for gold for a continental war, as in 1810, 1813, and 1814 : a severe drain of specie in consequence of vast and imprudent foreign speculations which could not be carried on without it, as in 1825 : a sudden necessity for the precious metals, as on the destruction of the banks by the measures of Government in America in 1837 and 1838 : a bad harvest in the British islands, which requires six or eight millions of sovereigns to be sent abroad to purchase grain, as in 1839 : — these and many similar causes may produce, and never do fail to produce, an abstraction of specie from the market, attended at the time, if not relieved by a proportionate increase in the issue of paper, with the most calamitous effects both to private and public credit. True, the absence of the precious metals can only be temporary ; true, they will always return in the end to the centre of commerce and opulence : but during their temporary absence, irreparable shocks to credit may be given, and unbounded private suffering produced. It is in these moments of private and public suffering, that a paper circulation steps in to sustain public and private credit during the interval when the national industry has been paralysed by the disappearance of the precious metals from the circulation. This was exactly what took place in Great Britain in 1797 and 1810, and hence the success with which the nation weathered these two severe storms, during which, but for its aid, the empire would certainly have been destroyed.

3. A paper circulation which is to step in, in this salutary manner, between the commercial classes and impending ruin must be an issue to a large extent of *one pound notes*. No other issue, how extensive soever, can produce that effect. The reason is twofold. (1.) One pound notes are of far greater use than five pound notes in the daily transactions of life, and therefore they are chiefly to be relied on to sustain commerce, in the absence of sovereigns, or lesser coins forming its previous general medium. (2.) If five pound notes are issued in any quantity they cannot beyond a certain and limited extent be kept out in the circulation. Being too large to be of general use in passing from hand to hand, they are quickly, when issued in too large quantities, paid into bank accounts, to be realised in some investment producing a return, and thus, on the first exchange of notes, come back upon the issuer. This has long been known to the Scotch bankers, whose notes in general circulation are almost entirely one pound notes: the larger ones, when issued, being speedily paid into banks, and back upon the issuers on their first weekly exchange. And in England during the great issue of notes from 1797 to 1819, a large part of the issue was in small notes. The one pound notes of the Bank of England alone in the latter years of the period from 1810 to 1818 ranged from six to eight millions annually.

There can be no doubt that the far greater facility of throwing off and issuing bank-notes or other commercial securities than purchasing bullion and coining money, affords much greater temptations to putting into circulation an excessive quantity of

paper, and consequently rendering it redundant, and raising prices of all the commodities of life when exchanged for that paper, than ever can exist for issuing an unnecessary quantity of coined money. It is equally certain, that when this paper possesses by law a forced value—that is, may be legally tendered in payment of debts by the holder at the rate at which it is issued by Government, and the Exchequer is under no obligation of taking it up with the precious metals—it may, when so depreciated, afford debtors the means, for an inferior, and often elusory consideration, of discharging their debts, and thereby occasion a ruinous loss to creditors, and inflict the most dreadful evils on society. That was the case, in an especial manner, in France, the Government of which country, during the terrors of the Revolution, issued assignats in a few years to the amount of above 750,000,000*l.* sterling, or about the whole amount of our national debt, without taking any effectual means for its re-absorption by the public exchequer. The consequence was, that the value of that paper fell at last to a thousandth part of its nominal amount; and a breakfast for six persons cost *a louis d'or, in gold, or twenty-eight thousand francs in assignats.*

An effect in some degree similar in kind, though infinitely inferior in point of degree, took place in Great Britain during the later years of the war, when bank-notes not by law, at that time, convertible into gold constituted almost the sole circulation of the country; the whole gold and silver having been bought up and sent abroad for the service of the Peninsular or German contend-

ing armies. Prices then rose, on an average of five years, to double the amount they had been before the commencement of the war ; an effect, no doubt, in part owing to the prodigal expenditure of Government during that dreadful crisis, and the effect of the monopoly for the home market created by the continental blockade. It is partly to be ascribed, however, to the vast issue of paper which then took place on the part of the Bank of England or private bankers, which nearly doubled, as the table in the Appendix will show, the circulating medium in actual use in the country.

But in such a state of matters, the difference between the market price of gold and the rate at which, by law, the Bank of England are obliged to issue it to the holders of their notes, affords *no index whatever* to the amount of this depreciation. This is the fatal mistake which statesmen and philosophers fell into in 1810, when the memorable discussions on the "Bullion Report" first commenced. They observed that there was a great difference between the current price of gold in the market, when sold as an ordinary commodity, and the Mint price of 3*l.* 17*s.* 10½*d.* an ounce, fixed by law. Indeed, so far did this difference go, that a *light* guinea, not having any standard value fixed to it by law, was at one time worth twenty-four shillings, while one of full weight could only be issued by the Bank for twenty-one shillings. They immediately concluded that this difference was the measure of the depreciation of the paper currency, when it had, in fact, nothing whatever to do with the matter, and arose, not so much from the quantity of paper in Great Britain being excessive, as from

gold and silver bearing an extraordinary value on the Continent, from the vast expenditure of the contending parties, which was almost entirely made in specie, in Germany, during the campaigns of Aspern and Wagram, and in Spain during the campaigns of Talavera and Torres Vedras. The test of the paper currency in circulation being excessive, is not to be looked for in the difference between the Mint and market price of gold—for that only shows the difference in the value of that precious metal at the time the Mint price was fixed and the present moment—but *in the enhanced price of commodities, whether paid in bank-notes, silver, or any other currency.* It is to be found, not in the guinea being worth twenty-five shillings, but in the quarter of wheat being at 110s., and the yard of broad-cloth at 30s. And, judging by that test, there can be no doubt that, during the latter years of the war, the circulation of the country was very abundant, and had, consequently, become in some degree depreciated, which appeared in the rise of the price of all the commodities of commerce.

But the observation of the learned Mr. Tooke, so great an authority on this subject, is unquestionably well-founded, that in *ordinary* times it is impossible that paper *convertible on demand into the precious metals* can become redundant. The reason is, that the moment it becomes greater than the wants of commerce require, it will be brought back to the issuers, to be exchanged for gold or silver, in order to become a source of profit. Illustrations of this occur every day in ordinary life. Every person requires to keep some silver or copper money in his

pocket for immediate use; the more affluent, in addition to this, require to have some bank-notes or sovereigns at hand for occasional demands, and probably current accounts on which they can draw at their bankers'. But no one is found going about with hundreds of pounds in his pocket; and none but negligent old men, or *millionaires*, think of having 10,000*l.* lying without interest at their credit with their bankers. The vast majority of men, and especially of men of business, by whom the transactions of the country are carried on, leave no more of their funds unprofitable in the shape of currency, than they must have in that form, and place all the rest in some profitable investment or employment yielding a return. It is exactly the same with the aggregate of men which we call a nation. No more than is absolutely required for the purposes of exchange from hand to hand ever will remain out in the form of currency, if it is exchangeable for the precious metals, because every individual composing it, seeking a profit to himself for all he can spare from immediate use, will bring back to the sources from which they issued the unnecessary paper in circulation. Bank-notes, whether public or private, regularly exchanged, as is the practice in Scotland, once or twice a week, and based on an obligation to pay in specie or Bank of England notes, never can become redundant. And if the Bank of England is obliged to pay its notes in the precious metals, neither can its paper ever become excessive; because, the moment more is out than requires to be kept afloat for the circulation of the country, it will be brought back for the sake of profit to be exchanged for the

precious metals, which have a value every where, and independent of the necessities of commerce.

"It is necessary," says Locke, "that your gold should be coined and have the king's stamp upon it, in order to secure men in receiving it that there is so much gold in each piece. *But it is not necessary that it should have a fixed value put on it by public authority.*" It is the oblivion of the latter part of the maxim of the philosopher, that has produced, and will produce, as long as the present law on the subject subsists, such fatal effects from this obligation to pay in the precious metals. As these metals, by the common consent of men, are the circulating medium of all countries, and bank-notes are issued as representing such medium, and for a profit to the issuers, nothing can be more proper than that, in the ordinary case, they should be under an obligation to take them up with the common currency of men. But nothing can be more unjust, and in its ultimate effects ruinous, than that they should be obliged, as they now are, and have been since the act of 1819, to take them up at a *different price for gold than what it bears at the time in the market.* To do this is to expose the Bank to ruinous loss, at a time when the market price of gold is higher than the Mint price, from the difference between the two, and the certainty of a run on the part of the holders of their notes to realise profit at the expense of that establishment. For example, if the Bank have 15,000,000*l.* of notes in circulation, and the market-price of a sovereign comes to be a guinea, which may often be the case from an extraordinary demand for gold on the Continent or elsewhere in the world,

the Bank, if obliged to pay all their notes in circulation at the standard Mint price of a sovereign, or twenty shillings, would lose fifteen million shillings, or 750,000*l.*, besides having every shilling of their specie drawn out. To avoid such a catastrophe, its Directors are under the necessity, in ordinary times, of keeping a large treasure, now amounting to nearly fifteen millions sterling, unemployed in their coffers, at an equal loss to themselves and the country. And the moment the price of gold abroad is higher than it is at home, which at once appears by the state of the exchanges becoming unfavourable, they are compelled to reduce their issues, and refuse to advance money even on the best security, in order to contract the circulation, and raise again the value of gold in the home market.

This was the cause of the terrible monetary crisis of 1825, and the equally severe and more protracted one from 1837 to 1842. The vast extent of South American speculation in the first case, the calamity of five successive bad seasons in the British islands in the second, caused the greater part of the precious metals to go abroad; and consequently the Bank of England were obliged, peremptorily and resolutely, to contract the currency. They did so, and did so rightly, under existing circumstances, in their own defence. With how much ruin it was done to the best interests of the empire need be told to none who have lived through those disastrous epochs, or will observe their effect on the national resources, as depicted in the returns collected in the table at the end of this paper. It no

doubt sounds well, and seems an admirable thing, to have a fixed and unchangeable standard of prices; but it is impossible. You cannot make that permanent whose essence is change; identity is impossible when you yourself, and all around you, are incessantly altering. You might as well have an unchanging standard for life made for it at twenty-five; you might as well cast anchor in a balloon amidst the clouds.

It is the great and peculiar, though hitherto little experienced, benefit of a paper circulation, that it is calculated, if based on the true foundation, viz. an obligation to pay in the precious metals but at *their market price only* — that it tends to avert the dreadful monetary crises, originating in the precious metals being drained away by accidental causes, and to preserve that *equality* in the circulation, and consequently in prices, which is of such incalculable importance in the transactions of commerce and ordinary life.

When gold is drawn away, that is the *very time that paper in larger quantities should be issued*, in order to supply the deficiency; just as, if the supplies of beef for an army become deficient, the strength of the soldiers should be maintained by augmenting the issues of bread. If the circulation were based on the principle of exchange for the precious metals at the current value, this most important and salutary effect would of course take place; because, a large part of the national circulation being withdrawn, in the form of the precious metals, bankers, public and private, would realise a large profit by supplying its place with paper. They would then, for

their own sakes, enlarge their issues when an extended paper circulation was required by the wants of the state. This was exactly what took place in 1810. Gold was then so dear, in consequence of its absorption in the continental war, that a guinea was worth twenty-four shillings. But what then? The Bank, relieved from the necessity of paying in specie, augmented its issues in proportion. They discounted bills to the enormous amount of twenty millions sterling in that year alone. The state and its industry, in absence of specie, flourished and prospered; without a guinea in circulation, the stupendous expenses of the Torres Vedras campaign were provided for: the war was brought to a successful issue; and the guineas, attracted by the realised wealth of the British empire, soon returned to the centre of opulence, when the extraordinary cause which occasioned their absence was removed by the return of peace. Had the present system been acted upon in 1810, according to the recommendation of the Bullion Committee, and bank-notes had been rendered scarce when gold disappeared, the nation, and all its trading classes, would have become bankrupt; and we should long since have been a province of France.

But under the present system of compelling the Bank of England to take up their notes in sovereigns at the fixed Mint price, no matter how much it differs from the current price of the same weight of gold in the market, not only is this salutary effect prevented, but an opposite effect of the most pernicious consequence takes place. The Bank of

England being compelled, in their own defence, to contract their issues the moment the exchange with foreign countries proves unfavourable, and gold brings a higher price abroad than at home, or even that effect appears probable, the result is, that the transference of gold to the Continent or America, from whatever cause, is immediately followed by a sudden and immediate contraction of the currency, attended, of course, with a corresponding narrowing of credit by all other bankers, and a general monetary spasm and commercial crisis throughout the country. The dreadful catastrophes of December, 1825, and autumn, 1839, were owing to this cause, and would have been entirely prevented, or in a great degree alleviated, by such an *increased issue of paper*, in the absence of gold, as would have compensated the want. This, to a certainty, would have taken place if the issue had been payable in gold at the market price only, as such enlarged issue would have been highly profitable to the issuers. No apprehensions need be felt that gold will not return so soon as the crisis is past by the aid of the paper currency; the precious metals will ever flow, in the end, to the centres of opulence and commerce. Their enhanced price for a time only brings them back the sooner. But under the present system *a dearth of gold is immediately and necessarily followed by a dearth of paper, and stoppage of credit*. Ruin to a large portion of the community, and certain and protracted embarrassment to all, as well as a deficit of the revenue, inevitably follow every rise in the foreign price of gold. When beef is scarce, we put

the soldiers on half rations of bread also, upon the principle of teaching them to live on contracted supplies. Can we wonder if half the army are starved in consequence?

Nor is there the slightest ground for the apprehension that such a system could destroy any fixed standard of value. It would not do so; it would still leave the precious metals the common currency of the world, the basis itself, or its representative, of the currency of the British empire. It would only put an end to the perilous and hopeless attempt of establishing a fixed standard of value, when the precious metals are constantly fluctuating, though generally within very narrow limits, in value. It is no doubt possible, by forcing the Bank to pay in specie always at the Mint price, to keep the market price of gold remarkably steady: the prices of gold since 1819, given in the Appendix, prove this. But how is that effect produced? Mainly by producing the most terrible fluctuations in the price of all other commodities. It is by forcing a contraction of the paper currency, as soon as it has either become abundant, and consequently cheap, or gold has been exported in exchange for food, or from any other cause, and become scarce, that this equality in its price is maintained. It is an imaginary advantage purchased by real injury to the best interests of the state.

Under the present system, a fluctuation of sixpence on the value of a sovereign, is sufficient to reduce half the traders of the kingdom to insolvency, and a third of the working classes to pau-

perism. There is no reason why it should do so in the nature of things, more than a variation of sixpence on the price of a yard of broad-cloth, or a bushel of wheat. What would it signify that the Bank sometimes paid 19s. 10d. and sometimes 20s. 4d. for a one-pound note? The pound would still be the measure of value, and a very slight variation of prices, seldom if ever exceeding five per cent., would only take place in prices according to the varying price of gold and silver. Far greater variations occur every day in the price of all the articles of consumption, and are never complained of. The variations in the prices of other articles of commerce, consequent on the sudden contractions and expansions of the currency, under the present system, are ten times greater. We never heard that 100,000l. three per cent. consols was refused for the price of an estate, because that stock was sometimes at 99½, sometimes at 101. We never yet found English guineas or sovereigns refused on the Continent, nor had we the least difficulty in travelling with them every where, though in 1814 they passed for twenty-eight francs, and have since been down as low as twenty-four francs. They were taken every where at the current rate of the place at the time, and passed for cash as such. Bank-notes should do the same; and then the commercial and monetary crises which now, every six or eight years, desolate the country and paralyse the revenue, would disappear, or at least be materially lessened in their evils.

The objection usually made against the issue of notes, if not limited by some positive check, is, that

it will become excessive ; that bankers, for the sake of a profit to themselves, will go on issuing without end ; and that the currency will be depreciated, and the precious metals driven abroad in consequence. But on this point an important distinction is to be observed. If notes are issued by government possessing a forced circulation and *not exchangeable for the precious metals at all*, like the Assignats of France, or the Bank of England notes during the suspension of cash payments, there is no doubt the circulation may be depreciated to any extent ; and this was what took place to a frightful degree in France with the Assignats, and in some degree in Great Britain during that suspension with the bank-notes. But if the notes issued are all exchangeable for the precious metals at the market rate, this effect is impossible. The reason is, that the notes can only be kept out in the currency when they are really wanted in the exchanges of men. As soon as this ceases to be the case, or more are in circulation than the wants of society require, the excess will stagnate in some hands or other, and they will immediately take them to a bank to be exchanged for the precious metals, which, being of value every where, are solid wealth, or to be invested in some stock or lucrative employment. Thus, in one way or other, the superfluous quantity is paid into banks, comes back on the issuers, and is withdrawn from the circulation.

Banks, indeed, may for a time, by imprudent issues, foster hazardous, and in the end calamitous, speculation : but that evil never fails to cure itself

if the notes are only exchangeable for gold. The insolvents fail: the notes are no longer required in the circulation; they are soon returned by exchange with other banks to the issuers, like curses which come home to roost at night. If the Assignats had been by law exchangeable for the precious metals at their current value in France, they never could have become redundant in that country; for gold and silver never bore a price materially different there during the Revolution from what it did elsewhere on the Continent, when brought to purchase commodities. The great value of this check on an over-issue of paper consists in this, that, though perfectly effectual, it is gradual and gentle in its operation: it causes notes to issue when they are required for the transactions of commerce, and gradually withdraws them from the circulation when their agency is no longer required.

Great apprehensions are often expressed that, under such a system, the issue of notes would become so excessive as to drive the precious metals out of the country, and cause them to rise to an extravagant price in the home market. But a little consideration must convince every reasonable person that these fears are entirely groundless. It must always be recollected that paper is valueless but in the country where it is issued, but that gold and silver represent wealth all the world over. It is impossible, when this is the case, that there can ever be a dearth of the precious metals for any length of time in any country. Accidental causes, as the necessities of a gigantic war, or of

purchasing grain to supply a scanty harvest, may for a time produce such a dearth, but in the nature of things it can only be temporary. When the accidental cause has ceased to attract the gold abroad, it must return to the country where it is needed and it is scarce. It will do so, because being needed and scarce, it must bear a high price there, and consequently profit will be gained by bringing it back. The same cause — the desire of profit to the holder — which sent it abroad when it was scarce abroad must bring it home, when it becomes scarce at home. And of this a memorable instance occurred at the close of the late war, when in February, 1814, during the crisis of the struggle in France, when every guinea and dollar were bought up for the contending armies. Gold in England rose to 5*l.* 8*s.* an ounce: but on peace ensuing it sunk in August in the same year to 4*l.* 9*s.*, and in August, 1816, it was as low as 3*l.* 19*s.*, only 1*s.* 1½*d.* an ounce higher than the present Mint price, and remained very nearly at that price till the resumption of cash payments in 1819.* This, too, occurred at a time when the suspension of cash payments was still in operation, and consequently the danger of an over-issue of paper was much greater than if it was exchangeable for the precious metals at their current value.

Ordinary readers, in the preceding observations, will find nothing, we trust, which they do not understand; many, matter of deep interest and serious reflection. Some statesmen and political economists

* Tooke on Prices, ii. 384.

will regard them as a compound of truisms not fit to be repeated, and paradoxes not worthy of an answer. It is curious, however, that this combination of truisms and paradoxes affords an entire solution and explanation of all the financial embarrassments of the state, and great part of those of individuals, which have occurred within the last twenty-five years, as well as of most of the social and political evils which, during that time, have distracted society, and now have awakened such serious solicitude in all thinking men. It will be seen that the whole evils and peculiarities in our social condition which, in the former part of this treatise, have been shown to exist, and to have existed for a quarter of a century, in the British empire, are precisely the effects which, in the latter part, have been proved to arise necessarily from an unduly contracted following on an expanded currency. It is a happy combination of truisms and paradoxes which affords such an explanation, and points to so simple and efficacious a mode of avoiding or preventing them in future.

But let our readers think what they please of our argument — we implore them to reflect on the table which concludes its pages, and which throws, we do not hesitate to say, a flood of light on our financial and social situation, and the causes of all the evils, apparently inexplicable, under which we have so long laboured. From its details it appears, that from 1792 to 1797, when bank-notes were exchangeable for gold, the paper currency was about 16,000,000*l.*, and probably the metallic currency was 12,000,000*l.* more, in all

30,000,000*l.*, at a time when the exports were also 30,000,000*l.* Subsequent to 1797, when the obligation to pay in specie was taken away, the bank-notes alone rose continually, until, in 1818, they had reached 28,000,000*l.* of Bank of England notes, and 20,000,000*l.* of country banks; in all, 48,000,000*l.* for England alone; the exports being then about 50,000,000*l.* But since the Bill of 1819 came into operation, compelling the Bank of England to pay their notes in specie at the fixed Mint price of gold, while the exports have been nearly trebled, the imports more than doubled, and the population has advanced fifty per cent. — the currency has been so *contracted* in proportion to the national transactions, that the total amount of gold and silver coin, paper in Bank of England and country bankers' notes, is now only 53,000,000*l.* *; while, if it had kept pace with the exports, it would have been 120,000,000*l.*; if it had kept pace with the imports, it would have been 96,000,000*l.*; if it had kept pace with the shipping, 94,000,000*l.*; and if it had kept pace with the population, 72,000,000*l.* †

* Viz. 1843 Bank of England Notes £19,361,410 .

Country Banks - 10,311,211

Gold and Silver - 23,500,000

£53,172,621 in England.

† In the curious and instructive table in the Appendix, the *official* value of the exports is distinguished from the *declared*. The former is a fixed value, according to a scale constructed in 1696; and so it exhibits a correct view of the increase in the *amount* of our manufactures. The *declared*

So prodigious a contraction, at a time when the national transactions and wants, as measured by the exports, imports, shipping, and population, were so rapidly increasing, and the value of gold and silver themselves were rising from the great and long-continued decline in the produce of the South American mines, necessarily produced incalculable private suffering, an enormous augmentation of debts, and diminution of the prices of all sorts of produce, and the most ruinous financial embarrassments. It has been the cause of the revenue, raised by indirect taxation, constantly sinking, despite the increase of population and industry, until at length the war income-tax became unavoidable. It has practically extinguished the sinking fund, and rendered the debt of 750,000,000*l.* a hopeless burden on the country; and it has added at least forty per cent. to the debts of every man burdened with money engagements within it. And what has rendered this contraction of the currency, amidst the rapidly increasing population and transactions of the British empire, peculiarly impolitic and distressing, it took place at the very time when the annual supply of the precious metals for the use of the globe had, from the distraction of South America, and the ruin of its mines, sunk, on an average of years, to less than a half, sometimes only a *third*, of their former amount; and

value of the real money price at the moment, as "declared" by the exporters, and its decline, as compared with the increase of this official value, shows the lessening prices obtained in consequence of the contracted currency and diminished cost of production.

when the increased wealth of the monied classes, from the enhanced value of money, was daily absorbing a larger portion of it in plate and other articles of luxury.

True wisdom would have counselled an effort to alleviate the effects of so great a diminution at that particular period in the supply of the circulating medium of the globe, by an *enlarged* issue of it for the use of the British islands. Yet that was the season selected for a simultaneous diminution in the paper circulation of the British islands. At the very time when the amount of part of our machinery was doubling, of another trebling, we *diminished our supplies of oil*, to facilitate their motion. During a period when the soldiers in our army were increased a half, and their wants more than doubled, we *diminished the supplies of every species of food*. Need we wonder if the smaller wheels of the machine were entirely stopped? Need we be surprised that dissensions generally prevailed? that the stronger grasped the portions of the weaker? that the poorer were stinted in their rations, and underwent intense suffering, and that great numbers died of famine?

And what is in an especial manner worthy of observation in this table, and decisively proves that it is the bill of 1819 which has been the chief cause of the great fall of prices under which the national resources and those of so many individuals must have so long laboured, is the change made since 1819 in the price of grain, and of the money price of our exports. The former has sunk from an average of about 85s. from 1809 to 1819, to an average of

about 50s. from 1819 to 1843. And the declared or money value of exports, which in 1792 were about 10,000,000*l.* more than their official value fixed a century before, and continued higher down to 1819, *suddenly turned in that year*, and have now come to be sixty or seventy millions a-year *less than the official value*. Had the rates of 1792 continued, our exports would now have brought us in, if they had reached their present level, not 120,000,000*l.* a-year, but 200,000,000*l.*! so prodigious has been the effect of the application of machinery and juvenile labour to manufactures, under the influence of the pressure produced by the fall of prices, owing to the contraction of the currency.

Doubtless the export sale of our manufactures has been immensely increased by this prodigious diminution of prices; but would it not be far better to have had a less amount of exports and a more remunerating price for what we did send abroad? Has not the home market been contracted as much and more than the foreign has been expanded? And is not that a far greater evil than the former effect is a benefit? It is a great benefit to foreign nations, doubtless, to get our manufactures cheap; but is it an equal benefit to ourselves to force industry in this island down to the lowest remuneration? To give us the maximum of work and the minimum of pay? And that is the evident tendency of the present currency system.

Gold and silver, we are told by political economists, are commodities, and must be treated as such. There can be no doubt that this observation

is well founded; but it must at the same time be added, that they are the most portable of all commodities, and that it is on that very account that by the consent of all nations they are the medium of circulation. Holding the precious metals, then, as a commodity, must they not share the fate of all other commodities, and rise and fall in value, according as their supply is plentiful or scanty in the market? Must they not fluctuate in value more rapidly and frequently than any other commodity, on account of that very facility of transport and universal reception among mankind, which from the earliest ages has rendered them the circulating medium among men? But if the value of the precious metals be thus fluctuating, what can be so absurd, or in its ultimate consequences so disastrous, as to compel the Bank of England, at all times and under all circumstances, to pay in gold at the fixed rate, 3*l.* 17*s.* 10½*d.* per ounce?

No matter, though at one time gold, from an extraordinary demand for it on the Continent or in America, is worth 4*l.* 4*s.* an ounce, and at another time, from the excess of the supply in this country, is worth only 3*l.* 10*s.* an ounce—still the Bank must pay at the same rate! They must, in every instance, give five sovereigns for a five pound note, though these five sovereigns are worth to the holder or to themselves, as so much bullion, five pounds ten shillings or six pounds at one time, and only four pounds ten shillings at another. Is it not the obvious and inevitable consequence of such an obligation, to expose the Bank to the certainty

of a drain the moment sovereigns become either abundant at home, or are in great demand abroad? That is, does it not render *domestic prosperity or foreign embarrassments alike the forerunner of a frightful monetary crisis?* Is not commercial prosperity, or a scanty harvest, equally productive of general ruin; the first by sending the sovereigns abroad, because currency is plentiful, the second because food is scarce at home? And is not that precisely what has invariably occurred upon every recurrence of domestic prosperity or foreign disaster since the bill of 1819 was passed, and is, it is to be feared, too clearly threatened, at the present moment.*

Transfer the same obligation to other commodities, and see what would be its consequences. Suppose that the Bank were to be compelled by Act of Parliament to pay two quarters of wheat at all times for a 5*l.* note, or to deliver two hundred pounds of beef, on the principle that the price of wheat was to be fixed at 50*s.* a quarter, and of beef at 6*d.* a pound — what would be the consequence? Would it not be, that a rainy autumn, which threatened to raise the price of wheat to 75*s.*, or a failure in the turnip crop, which presaged a rise of meat to 9*d.* a-pound, would instantly be followed by a run on the Bank to get his notes turned into these commodities? If the holder of every 5*l.* note was sure, by sending it to the Bank, of getting two quarters of wheat worth 7*l.* 10*s.*, or two hundred pounds of beef worth the same money,

* 22d August, 1845.

there would speedily be very few five pound notes in circulation in the country. The Bank would in their own defence be driven to defensive measures by a rapid, and to the community fatal, contraction of the currency, the moment that the season gave a forewarning of a rise in the price of wheat or beef. A long drought in spring, rain for six weeks in autumn, would instantly produce a contraction of the currency, a monetary crisis, and convulse the country from one end to the other.

Now this is exactly what takes place under the present law in regard to paying bank-notes in gold at the fixed Mint price, with this additional circumstance of evil, that as gold and silver are the most portable of all commodities and most in demand every where, the variations and spasms arising from an obligation to pay in them at a fixed rate, are of more frequent and certain recurrence than a similar obligation in regard to any other commodities. This explains how it happens now in this country, contrary to what was ever, it is believed, experienced among men, that a bad harvest is immediately and rapidly followed by a *commercial* crisis and general *commercial* distress. The danger, and that is the curious thing, is felt not by the agricultural, but the commercial classes: it is the merchant and manufacturer who tremble when the rain falls, not the farmer. This effect takes place *immediately*: it is felt in its full severity by Christmas, long before the effect of any diminution in the purchase of manufactured articles by the working classes could be sensibly experienced. It arises entirely from the thorough conviction which all prac-

tical men have, that the sovereigns will soon be sent abroad to buy grain, and the consequent contraction of credit by the banks, in consequence of the obligation laid on the Bank of England to take up its notes in gold at the Mint price. And this danger, so certain of recurrence, so ruinous in its consequences, would be entirely avoided if the obligation of the Bank was to take up their notes, whether in sovereigns, quarters of wheat, or pounds of beef, at the current market price only; because then the holders of the notes would make no profit by sending them into the Bank, and consequently they would remain in circulation, or at least not be presented for payment for that peculiar and unjust advantage to the holder, arising from the difference of the mint and market price of gold. There would be no contraction of the currency, at least from that, the most powerful cause in producing it under the present system.

It is the peculiar and dreadful effect therefore of the existing law in regard to the currency, that it renders a brief period of prosperity the *necessary forerunner*, in every instance, of a long period of depression, suffering, and ruin. The reason is, that the extensive transactions which accompany and arise from a season of prosperity and commercial activity absolutely require, and of course produce, an enlarged circulation. But when this expanded circulation has taken place, it of course becomes depreciated in value, just as a fine harvest makes wheat sink in value, because it has become more plentiful; and if it consists in whole or part of the precious metals, they begin to leave our shores.

The indication of this depreciation is a rise in the money price of all other commodities; its effect is a tendency in the precious metals to go abroad, from the enhanced value which they there bear, owing to their comparative scarcity. The same effect would take place with wheat or beef, if they were not such bulky articles as to require a greater advance of price to compensate the cost of water carriage to any considerable distance. Thus internal prosperity, equally with internal scarcity or foreign disaster, is necessarily and speedily followed by a disappearance of the sovereigns, a contraction of the currency, and a monetary crisis; because the very plenty of the metallic currency produced by the prosperity had lowered its value, and therefore sent it back into foreign states.

Prosperity cannot possibly be durable in such a state of things. It is hard to say whether we have most to fear from affluence or disaster, from the splendour of the sun's rays in summer, or the torrents of rain which fall in autumn. The first leads to commercial prosperity, and speedily induces a contraction of the currency by the Bank, lest it should become too abundant, and a drain for sovereigns in consequence be let in, on their coffers. The last occasions agricultural scarcity; sends the sovereigns abroad in search of grain, and brings on the same result from the failure of the wonted supplies of subsistence. So frequently has this evil been experienced of late years, that its recurrence has become matter of common observation, and in a manner proverbial. You will hear the remark made in every railway train, steam-boat, or stage-coach in the kingdom

—that a period of prosperity will be followed by a monetary crisis and general distress. Men seem to resign themselves in despair to this fearful vicissitude, which they are told by high authority is inevitable. They think it is the destiny of man to undergo such alternations, as Lord Brougham says the railway proprietors think it is the destiny of the human race to live beside a railway. There is no destiny, however, in the one case more than the other; in both it arises from the selfishness, the errors, and cupidity of man.

As every thing which is plentiful declines in exchangeable value, and as extended commerce and great manufacturing transactions imperatively require a plentiful circulation, it inevitably follows that an extended commerce and great manufacturing prosperity must be attended, *while it lasts*, by a depreciation, to a slight degree, in the exchangeable value of the circulating medium in the country where it takes place. If that medium is gold or notes exchangeable into gold, *at a fixed rate*, the inevitable consequence will be that every season of remarkable commercial prosperity will be followed, and that, too, right speedily, by a disappearance of the precious metals, a contraction of the currency, and severe commercial and industrial distress. This too will invariably occur when undertakings the most extensive have been set on foot, and obligations the most weighty incurred in conducting them, and numbers the most considerable are engaged in their execution. At the very time when an extended currency and a continued supply of it, and prolonged credit, *are most*

wanted, it is suddenly and ruinously contracted. None but great capitalists can stand such a shock; and hence the prodigious advantage acquired by the money-power after one or two such convulsions, and their consequent irresistible influence and sway in the state. Its competitors are all destroyed.

The only way to avoid this frightful evil is to have a large portion of the circulation consisting of bank-notes in the convenient form of 1*l.*, exchangeable for the precious metals, but at the market price only. When this is the case, the contraction of the currency consequent on the disappearance of the precious metals from their abundance in the country where they were becoming depreciated, will be attended *with no pernicious effects*, because their place will be supplied, during their temporary absence, by the paper currency, which will answer the purpose of conducting transactions and sustaining credit just as well. This is just what occurred in 1810: this is what the present law prevented taking place in 1839. There is no danger but what gold and silver will return, when their temporary abstraction elsewhere is over, and the home circulation has returned to its average amount, to the centre of wealth and enterprise, as they did on the peace of 1814 to the British islands.

Mr. Biddle said, in his report on the causes of the bankruptcy of the United States' Bank in America, that it was owing to the pressure on the money-market of Great Britain by the 10,000,000 sovereigns which were sent out of England in the autumn of 1839 to purchase grain. There can be

no doubt he was right. It was the heavy and long-continued rains of that autumn which occasioned the bankruptcy of that great bank, of all the other American banks, of nine tenths of the merchants of the United States, and, in its ultimate effects, produced the repudiation of their debts by so many of the states, and has inflicted such severe losses on the British islands. How was it this effect took place? Why should unusual rain in England produce universal insolvency in America? Simply because the Bank of England, being obliged to pay its notes in sovereigns at the fixed price of 3*l*. 17*s*. 10½*d*. an ounce, the great exportation of the precious metals to the Continent to purchase foreign grain, instantly, as a matter of necessity, compelled the Bank of England forcibly and rapidly to contract their issues. They did this by rigidly rejecting the paper of mercantile houses of the very highest credit and respectability, from no doubt of their solvency, but with the avowed, and, as they stood, necessary purpose of contracting the currency. Thus credit was at once paralysed throughout the British islands, and the shock was soon felt throughout the globe. The British creditors were forced in consequence to press their debtors on the other side of the Atlantic, and stop all support in that quarter; and this soon produced an universal bankruptcy in America, where, from the comparative youth of the State, solid wealth to stand the shock was not accumulated to the extent that is the case in the older empire, Great Britain.

Guineas disappeared in like manner in 1810, from their absorption in the German and Penin-

sular campaigns, insomuch that a *light* guinea would sell for 24s. But no monetary crisis ensued, for the Bank augmented their issues in proportion, and in the year 1810, had 20,000,000*l.* of paper under discount, being five millions more than in the preceding, and six millions more than in the succeeding, years.* That was an instance of the way in which a paper circulation, when gold is by accidental causes drawn abroad, supplies its place and sustains credit and transactions till it returns. The same would have taken place in 1839, if the Bank had been obliged to take up their notes in the precious metals at their current value only. They or the other banks would have issued 10,000,000 additional notes, to supply the place of the 10,000,000 sovereigns sent away, and neither credit nor industry would have suffered any serious stoppage. Instead of this, what were they compelled to do? Why, at the very moment that an *expansion* of their issues was required by the country, a ruinous, though necessary, *diminution* of it took place. When 10,000,000 sovereigns were sent away, they were under the necessity, instead of *expanding*, as the country required, of *contracting* their issues by above 4,000,000*l.*, and of course every other bank did the same.† Thence the misery

* See Appendix. Paper under discount at Bank: —

1809	-	-	-	£15,475,500
1810	-	-	-	20,070,600
1811	-	-	-	14,355,400

† See Appendix. Bank of England notes in circulation: —

1838	-	-	-	£19,438,000
1839	-	-	-	15,317,000
1840	-	-	-	15,797,000

and distress of the next year, which, by occasioning an unprecedented pressure on the money-market, utterly destroyed credit in the United States, and all but destroyed it in the British islands. Such are two memorable instances of the opposite working of the two systems.

Notwithstanding all this, so much are men accustomed to regard money as of a fixed and unchangeable value, from not being aware that the variations in its value appear in the prices of other articles, as a shadow of an opaque substance appears on the wall or this earth only, that it is probable nearly the whole present generation must be laid in their graves before the truth on this subject, plain as it is, and necessarily as it flows from the axiom, that gold and silver are commodities varying in value like all other commodities, is generally admitted or acted upon. They say, if the Bank was obliged to take up their notes at the current value of gold and silver in the market, they would deluge the country with notes, that the sovereigns would disappear, and we should have assignats over again. There never was a greater mistake. Guineas, no doubt, disappeared in the British islands during the last years of the war; but why? Not because the Bank issues were excessive, or beyond what the country required, but they were so imperatively required on the Continent for the service of the Duke of Wellington, and the French and allied armies, that they were worth 25s. apiece there. When sixteen hundred thousand men were engaged in active warfare, on the two sides in Germany and Spain

alone, where nothing could be purchased but by specie, it is not surprising that guineas went where they were so much needed and bore so high a price. In truth, such was the demand for the precious metals, owing to that cause, that at length all the currency of the world, attracted to Germany as a common centre, could not supply it; and by a decree on September 30th, 1813, from Peterswaldau in Saxony, the allied Sovereigns issued paper notes guaranteed by Russia, Prussia, and England, which soon passed as cash from Kamskatkha to the Rhine, and produced the currency which brought the war to its successful issue. There was an instance of the manner which a paper circulation, based on proper security, supports credit and supplies the want of specie at the decisive moment. Whereas, according to the present system, the paper would of necessity have been contracted, when the specie became scarce—credit would have been ruined at the critical period; and the vast armaments of the allies would have been dissolved for want of funds for their support.

What makes specie flow abroad is not merely or even chiefly, the issuing of paper in any quantity at home. It is the circumstance of its bearing a *higher price* on the Continent than in this country; and though that may for a time be occasioned by an excessive issue of bank notes, yet it may be owing to many other causes besides a redundant paper circulation at home. A vast absorption of specie for foreign subsidies and domestic hoarding, as in 1796; a bad harvest in the British islands, as in 1839; a great foreign war, as in 1810 and 1813; unbounded foreign speculation, as in 1825;

a great demand for gold in America, as in 1837, may all create such a high price abroad, and drain away British specie from these islands, without any regard to the quantity of paper issued in them. A glance at the column showing the price of gold from 1797 to 1843 in the British islands, in the Appendix, taken from Tooke's learned work on Prices, will at once demonstrate how much the variations in its price are dependant on the demand for gold abroad, and how little on the issue of paper at home. If indeed paper is, from any accidental and transient cause, issued in excessive quantities at home, and is not exchangeable for gold and silver, the circulation, *taken as a whole*, will be depreciated, prices will rise, and sovereigns, seeking a more profitable market abroad, will become scarce. But so long as the paper is convertible into gold or silver at the current market price, that effect can never take place to any dangerous or hurtful extent, or last for any considerable period. Accordingly, the table of prices in the Appendix shows that from 1797 to 1800 the price of gold *never rose at all* under the extended issue of paper in Great Britain from the Bank Restriction Act: that from 1800 to 1814 it varied in price with the demand for gold on the Continent owing to the foreign war; and that when the war closed in 1814, it speedily returned to the Mint price, years before the bill of 1819 came into operation.*

That is the grand distinction between such a currency and assignats, bearing a forced circulation, and *not convertible any where* into the pre-

* See Appendix.

cious metals at any value. There is no doubt they may be depreciated to any extent. But it is otherwise when the notes must be exchanged for gold or silver whenever presented. If, from the issue of paper in the British islands, prices rise, and the precious metals become scarce, what must be the consequence? Why, that their value will rise in this country from their scarcity, the profit of sending them abroad will cease, and the interests of men will lead them to bring them back. The mere presence of notes in any quantity at home, provided they are convertible into gold at the current market price, can never, for any length of time, other things being equal, render it scarce in this country. On the contrary, it is the very thing which, in the end, is *sure to bring it back*; because every holder of a note will find it for his interest to present it for exchange into specie, when that specie bears a high price, until the elevated value of specie, owing to its scarcity, is removed by its returning. The circulation of notes will be rapidly contracted, owing to their being generally presented for exchange into gold from its bearing a high price, and that of gold will be increased from the efforts of bankers to meet that drain upon their coffers. Thus notes will diminish and gold increase till the proper balance is restored, and the price of the latter falls to its general level over the world. In a word, the same cause which sends specie abroad when the "specie" circulation is abundant, will bring it back, and that too right speedily, when it becomes scarce. Quicksilver does not find its level more speedily and certainly than the precious metals when no extraordinary cause interferes to create an extra-

ordinary demand in one place which does not exist in another. The obligation to convert notes into specie at the market price would operate as a perpetual check, gentle and gradual in its operation, but withal perfectly efficacious, to prevent the issue of paper ever becoming excessive in the country where it existed.

It is usually said that an undue facility in issuing paper leads to extravagant speculation, and that the issue of small notes must be stopped in order to prevent this disastrous effect taking place. There is no doubt that this evil, if not guarded against by certain and very obvious checks, may take place, at least for a short period. If the paper circulation of the empire is 40,000,000*l.*, and by a sudden expansion of trade, or the vast variety of undertakings requiring advances, which are set on foot, it is increased to 60,000,000*l.*, a dangerous impulse may be given to speculations, and serious disasters brought upon the trading and industrious classes in consequence. But two things are observable and worthy of especial notice in regard to this real and by no means contemptible danger.

1. If the notes are all convertible into the precious metals at the market price, the evil, such as it is, *can only be temporary*. If notes are issued to support doubtful speculators, and they push overtrading to an undue extent, their commodities will prove unsaleable, they themselves will become insolvent, and the notes will soon be back upon the issuers, accompanied with disastrous losses, to teach them the necessity of more caution in future.

2. This danger exists to fully as great an extent

where there are *no small notes*, and the Bank is obliged to take up all its large ones in sovereigns at the fixed Mint price, as where small notes issued by private bankers are the established circulation. The proof of this is decisive. Speculation was far more ruinous in England in 1825, and forty-three private banks broke there in the single month of December, though the Bank of England was bound to pay in specie at the Mint price more than ever it had been during the period from 1797 to 1819, when the Bank Restriction Act was in operation. Over-trading went on from 1835 to 1837 to a far greater extent in Lancashire, where there were no small notes, than in Lanarkshire, where there were; and at this moment there is infinitely more absurd and dangerous speculation in railway shares and pig iron in Liverpool, where there are no small notes, than in Glasgow, where the whole circulation is formed of them.

In truth this over-issue of notes, generally speaking, in pacific times, is an effect, not a cause. It is a plethora of capital which cannot find employment, which is the real origin of extravagant and ruinous speculation, when it continues for any length of time. The effect of such a superabundant accumulation of capital is, that interest is lowered to such a degree, that the holders of it, rendered desperate by this constant decline in their income, when derived from ordinary home investments, seek the most extravagant foreign speculations, or the most hopeless home undertakings. Any thing is greedily swallowed which, got up by a few clever agents and managers, affords the hope of "a good

interest." The facility with which money is parted with, under the influence of this thirst for an enlarged income, would *à priori* be deemed incredible. If the investment is foreign, it instantly leads to a drain upon the specie market here, which was the cause of the terrible monetary crisis of December, 1825. If the money is retained, and spent in railway or other speculations at home, it must lead to a large issue of paper money to conduct them. Superficial observers say it is the issue of paper at home which occasions the evil in both cases; but a little consideration must show that that is the effect, not the cause. You might as well say it is the greasing of the wheels which occasions the travelling, or the issuing of the rations which produces the army. It is a stock of money before he sets out which puts the traveller in motion: it is accumulated capital which induces extraordinary speculation, at times sending the specie abroad, at others deluging the country at home with paper money to conduct it.

Consider in this view what was the effect of the return to cash payments, under an obligation to pay in sovereigns at the Mint price by the law of 1819. It at once added forty, probably fifty, *per cent.* to the whole available capital of the country, because it added that much to the value of capital in the hands of its holders. Now the capital of the country available to the putting in motion of industry is at least a thousand millions. Eight hundred millions are invested in the public funds alone, and probably at least twice as much in mortgages, canals, railways, and other investments.

Of this sum, it is by no means extravagant to say, that more than a half is available movable capital. By the law of 1819, this thousand millions was at once converted into fifteen hundred millions, because it became by the change of prices capable of putting in motion as much industry, or purchasing as many commodities, as fifteen hundred millions could have done before the change. Is it surprising that so prodigious and sudden an increase to the capital of the nation should have produced a continued tendency during the last quarter of a century to extravagant and perilous speculation? Thence the great fall in the interest of money within the last twenty-five years, which has now come down to 3 *per cent.*, and produced the feverish anxiety to find out more profitable foreign investments. Thence the hundred millions lost between South American insolvency and North American repudiation, and the extraordinary tendency, which has increased so prodigiously of late years with the fall in the interest of money and rise of the three *per cents* to 100*l.*, to invest money in the most absurd and outrageous speculations. The advocates of the present monetary system see clearly the danger of fostering speculation which may arise from increasing the paper circulation of the country from forty to sixty millions; but they can see no danger at all in suddenly increasing the available capital of the country from a thousand to fifteen hundred millions. They see clearly the mote in their neighbour's eye, but they cannot discern the beam, thirty times greater, in their own.

It is a common observation, that the country is overwhelmed with a mass of unemployed capital in one quarter, and a mass of human beings pining for employment in another, and yet that these two superfluities cannot meet or aid each other. No one can survey our social state without perceiving that this observation is well founded: and considering that it is the very object of capital to find hands for its undertakings, and of labour to find capital for its support, it appears, at first sight, not a little extraordinary how such an effect can have taken place. Still more strange does it appear, how it can have continued, as it has done, for a quarter of a century. But a little reflection on the necessary effect of the great monetary change of 1819 must show, that such a result was its unavoidable and lasting consequence. In the ordinary case, an increase of capital is slow and gradual, and is attended, *pari passu*, by an expansion of the industry and profitable speculations of the country. The two grow together, and mutually support each other. Neither is felt as redundant, by reason of this mutual communication and support. Agriculture, fabrics, shipping, and other investments capable of producing a return for capital, have increased *pari passu* with the capital itself, and thus neither is felt as redundant. But when so prodigious an addition as fifty *per cent.* is at once made to the available capital of the state in the form of its money, without any proportional addition to the sources of its productive industry, it is perfectly impossible that it can soon, or for a very long period, find a safe or profitable investment. More than one generation must

go to their graves before the proper balance between capital and industry can be restored. During the intervals of monetary convulsion the most extravagant speculations are of necessity indulged in, in the vain hope of restoring the balance, and finding a fair return for accumulated wealth, so much enhanced in value by the change of prices.

But this is not all. The peculiarity of the change in our monetary system, and which affords the true solution of this extraordinary feature in our social state, of the inability of superfluous numbers and wealth to meet and relieve each other, is to be found in this,—that the same depression of prices which added so immensely to the amount of capital in the country, *diminished in a similar degree the ability of the industrial classes to obtain remunerating prices for their industry.* Wealth was increased, and the remuneration of labour was diminished. When we reflect on the stupendous fact, that the money value of our exports, which, till 1819, constantly exceeded their official value—in some years by twenty millions sterling, has now fallen so much, that their official value will exceed the declared or real money value this year by *at least seventy millions**, we may conceive how prodigious has been the diminution effected in the remuneration of our manufacturing industry by this fatal change. Agricultural remuneration, as appears from the change in the price of wheat since 1819, has fallen at least fifty *per cent.*: for from 1800 to 1820 the quarter ranged from 60s. to 128s.; and from 1820 to 1845 it has

* In 1843 it was no less than 65,000,000*l.* See Appendix.

ranged from 35*s.* to 78*s.** It is within bounds to say, that the change in the law regarding money in 1819 has added fifty *per cent.* to the available capital of the country, while it has taken fifty *per cent.* from the remuneration of its labour. The Table in the Appendix demonstrates it as clearly as any proposition in geometry. Need we be surprised after this, that we are overwhelmed with two superfluities — that of capital and labour — which yet cannot meet or relieve each other.†

There can be no doubt that the reduction of interest consequent on the vast and sudden addition which the bill of 1819 made to the available capital of the country has injured its holders nearly as much, in many cases, as it has the producing class by the fall in the money price of their produce. Probably it has lowered interest one and a half or two *per cent.*, that is, it has reduced the incomes of creditors 40 *per cent.* But though this reduction of interest has proved a great relief to debtors, as well as in many cases a sore evil to creditors, it has by no means benefited the producing class as much as the diminution in the price received for their produce has injured them. The reason is, that though a large proportion of that class are

* See Appendix, last column.

† A decisive proof of the vast depreciation of the remuneration of agricultural labour, and of the rent of land in consequence, notwithstanding the most astonishing agricultural exertions, was lately advanced by that able and patriotic member, Mr. Newdegate, in the House of Commons, as afforded by the returns of the income-tax. From that it appears that the rent of land and houses in England, Scotland, and Wales stood, in 1814 and 1843, respectively as follows : —

in debt, yet a much smaller proportion of them are actually insolvent, and therefore the reduction in the interest they pay is not nearly so great as the diminution in the prices they receive. For example, if a producer owes 20,000*l.*, and pays 1000*l.* a year of interest for it, which absorbs his whole income derived from an industrial occupation, and interest and prices in consequence of the bill of 1819 both fall 40 *per cent.*, his income and annual payments will both be reduced to 600*l.*, and he will be just where he was. But if he makes 1000*l.* a year, and owes 5000*l.* of debt, which is much nearer the common case, then the income he draws will, by a similar reduction, be reduced to 600*l.*, while the interest on his debt will only be

REAL RENTAL, GREAT BRITAIN.

1814.		1843.	
Lands	- £39,405,705	Lands	- £45,753,615
Houses	- 16,259,399	Houses	- 38,475,738

CORN CONSUMED IN GREAT BRITAIN.

1814.	1841.
43,458,000 quarters.	61,460,879 quarters.

From this it appears that while the rent of land has increased in Great Britain in the last thirty years by about 12 *per cent.*, the rent of houses has advanced 140 *per cent.*, or *nearly twelve times* as much. And although the *produce* of the soil has increased about 46 *per cent.* in the same period, the rent has only increased 12 *per cent.* As the average importation for five years preceding 1836, when the bad seasons began, was only 398,000 quarters, it follows that this great increase of agricultural produce, probably not less in 1844 than 50 *per cent.* as compared with 1814, was almost entirely owing to the efforts of domestic agriculture; undeterred even by the scanty and declining reward which the state of the currency enabled the farmers to obtain for the produce of their toil.

lowered to 150*l.* from 250*l.* That is, his income will be lowered 400*l.* a year, while his burden will only be reduced by 100*l.* That is exactly what has taken place with the great bulk of the industrious classes, and rendered the reduction of prices consequent on the contraction of the currency so much more pernicious than the lowering of the rate of interest has been beneficial. And the same thing has taken place with the nation, which since the peace has gained somewhat above 4,000,000*l.* annually in the reduction of the interest of the public debt; but has been obliged by the contraction of the currency to remit 30,000,000*l.* of indirect taxes, which the reduction of prices rendered no longer bearable on the produce of industry, and has in consequence been compelled openly to abandon the Sinking Fund, and recur to direct war-taxes in the thirtieth year of profound peace.

The prodigious multitude of persons who have become insolvent, in consequence of the general distress produced by the reduction of the prices of every species of produce, is the main cause of the extraordinary proportion of the population who have become paupers in the last twenty years, and of the low wages of labour, and general competition for employment in the lowest stratum of society. Nothing strikes an observer as so extraordinary in the present state of society, as the vast fortunes accumulated by the monied classes on the one hand, and the prodigious multitude of persons who are reduced to ruin, or forced to gain their bread by the labour of their hands, on the other. But

the marvel ceases when we reflect on the necessary effect of a great and sudden contraction of the currency, and consequent fall in prices, on the middle and labouring classes of society.

The former are in great part swept away, and cast down into the humblest rank in the community, where subsistence is earned only by manual labour. Arrived there, they augment the competition, already sufficiently great, for employment, or, being unfit for it, fall as a burden on public and private charity. The latter find themselves exposed to the sturdy competition of the steam-engine and juvenile or female labour. Prices have fallen so much, that manufacturing profit can be made only by the unbounded application of machinery, and the substitution of girls and children for males and adults in the attendance on them. The extremely low wages which these girls and children in general receive — from 4s. 6d. to 6s. a-week — proves to what causes their depressed condition is owing; for in other trades, where the same substitution of machinery was not rendered necessary or was not possible, as iron, coal, and engine-making, wages are still very high — in ordinary seasons, to able-bodied workmen, from 20s. to 30s. a-week. And of the length to which this pressure upon the lowest rank in society has gone from the accumulated distress of those above them, decisive evidence is to be found in the enormous and increasing amount of emigration from the British islands, which, beginning with 8000 twenty-two years ago, now varies from 100,000 to 130,000 a year, — a transfer of mankind unprecedented since the days

when the Goths and Vandals subverted the Roman Empire.*

We are constantly told by the working classes that they cannot get an adequate remuneration for their industry: that their toil is augmented and their gains diminished: that a fair day's work is no longer worth a fair day's wage. The Reports to the House of Commons and every man's experience must convince him, that, in many branches of industry at least, these complaints are well founded. But the all-important question arises, To what is this calamitous state of things owing? It does not arise from the nature of things. It was never witnessed, at least to the same extent, in the world before. It was not felt in the country during all the calamities and dangers of the war. It has emerged for the first time in a period of profound tranquillity: it is felt with most severity after thirty years of unbroken peace. The simple cause of it is to be found in the contraction of the currency to

* Table showing the total number of emigrants who sailed from the United Kingdom from 1823 to 1843.

1823	-	8,860	1834	-	76,222
1824	-	8,210	1835	-	44,478
1825	-	14,891	1836	-	75,417
1826	-	20,900	1837	-	72,034
1827	-	28,003	1838	-	33,222 ¹
1828	-	26,092	1839	-	62,207
1829	-	31,198	1840	-	90,743
1830	-	56,907	1841	-	118,592
1831	-	83,160	1842	-	128,344
1832	-	103,140	1843	-	134,276
1833	-	62,527			

Porter's Par. Tables, XII. 253.

¹ Year after the Canada Rebellion.

so much less than what the wants of the state require, in consequence of the law of 1819, rendered yet more stringent as it has been by that of 1843.

That law having lowered prices generally fifty, in some trades prices having actually fallen from that cause above sixty *per cent.*, it has become a matter of absolute necessity to the manufacturers and farmers to lower the cost of production in a similar or greater proportion. Their debts and engagements remain the same; it is in the wages of labour and charges of production, therefore, that the reduction must be made. To effect this has become with the industry of the country a question of life and death. Ruin stared the whole industrious classes in the face, if it was not effected. Immense have been the efforts made during the last twenty-five years to accomplish this object. Astonishing is the success with which, in many branches of manufacture, these efforts have been attended. Many articles of manufacture are now sold for a third or a fourth of their cost thirty years ago. But how has this vast reduction in price been effected? By the unbounded extension of machinery, — by substituting the labour of women for that of men, of children for women, of wheels for both. Hence the juvenile labour, the precocious habits, the youthful profligacy, the middle-aged pauperism, the vast increase of the "*classes dangereuses*," and of crimes of every kind, with which we are now overwhelmed in all the manufacturing districts. Hence the appalling fact that since 1805 the committals for serious crime have increased

sevenfold in England *, while in the same period population has only advanced *seventy per cent.*: that is, crime is advancing *ten times* as fast as the numbers of the people. Hence the not less alarming fact that the assessment for the poor, despite the New Poor Law, is, when measured in grain at its current prices, more than double what it was at the beginning of the century, though the population has, during the same period, increased only *eighty per cent.*† It is the convulsive effort of an energetic and industrious people to obviate the effects of the fatal change of prices which has been forced upon them by the contraction of the currency that has been the main cause of these most extraordinary and perhaps unprecedented occurrences.

We are constantly told, by the supporters of the present system, that this immense reduction in the price of our manufactures, which appears in so striking, and, if not proved by authentic documents, incredible a manner, in the present excess of 70,000,000*l.* in the official over the real or declared value of our exports, is the only hold we have of foreign markets, and that the vast extension of our foreign trade is mainly to be ascribed to this cir-

	1805.	1842.
* Committals in England	- 4,605	31,309
Population -	- 11,404,000	18,830,000

See Appendix.

† See Appendix, where this is proved : —

Poor's rate in 1803, in quarters	Population.
of wheat - - - 1,428,751	11,007,000
Poor's rate in 1842, in quarters	
of wheat - - - 2,840,347	18,830,000

cumstance. There can be no doubt that this extension in the *quantity* of our exports is in a great degree owing to this cause. But is such an extension in the *quantity* of our exports, attended with no proportional extension in the *price received*, either a national or a social advantage? Is it a good thing for this country to be converted into the slave of the world, and to be yearly doomed to produce more work for less pay? That may be a benefit to the slave-holder: is it an equal benefit to the slave himself? Would it not be better for him to have less work and more pay? Considered even with reference to the encouragement of our manufactures, is not the argument fallacious? So vast is the home market for our manufactures in comparison of the foreign, that while our whole exports are of the declared value of 52,000,000*l.* the manufactures for the home market are no less than 133,000,000*l.** Now, if this is the case, even when the home market is crippled, as it is now, by the decline of 50 *per cent.* in the remuneration of industry, what would it be if home industry received, by the effects of an adequate currency, an adequate remuneration? It is better to add 50 *per cent.* to a hundred and thirty millions than to fifty millions. For every pound we gain under the present monetary system in our export trade, we should gain three in the home sale of our manufactures, if the currency were placed on a proper footing.

Historians lament the apparently inexplicable perversion with which all administrations have gone on, during the last twenty-five years, taking off one

* See Plackman's Stat. Tables for 1842, p. 46.

indirect tax after another, until above thirty millions yearly have been lost to the public revenue in the remission of indirect taxes alone, the Sinking Fund entirely extinguished, every shilling of any surplus that may arise in prosperous years applied to the remission of taxation, and a national debt of 775,000,000*l.* fixed as a permanent and immovable burden about the neck of the nation. This appears the more extraordinary, when it is recollected that during the war a sinking fund, gradually increasing, and which at length amounted to 15,000,000*l.* a year, was religiously set apart for the redemption of the public debt; that between 1816 and 1830 the debt was reduced by nearly seventy millions; and that the population of the empire is now 50 *per cent.* greater, and its industry more than double, of what it was at the close of the war.

But the marvel ceases when the operation of the contraction of the currency in 1819 is taken into consideration. As that change soon reduced prices from forty to fifty *per cent.*, while the money engagements of the nation, and all the individuals in it, remained unchanged, it became a matter of *absolute necessity* to the trading and manufacturing classes to get the indirect taxes lowered or taken off. They were laid on and not felt during the war, because, with a currency equal to the wants of the nation, the taxes were compensated by the price, which rose in a similar proportion. But they became crushing and in fact exterminating, when, by the contraction of the currency far within what the wants of the nation required, prices of produce fell to such a degree that

the utmost parsimony in the cost of production soon became necessary to realise any profit at all. The persons engaged in every branch of trade were soon able to prove to the Chancellor of the Exchequer, by arguments and calculations alike just and convincing, that unless he remitted the tax which pressed upon their branch of industry they would be unable to carry on their business. The combined clamours, or rather just remonstrances of successive bodies of wealthy active men, whose industry and capital created great part of the national wealth, and who were now struggling for life or death, proved too powerful for any or all administrations. Thence the remission since 1819 of thirty millions of indirect taxes, and the abandonment of all hopes of ever liquidating the debt. Half that sum steadily applied to the Sinking Fund since that time would by this time have paid off six hundred millions of its amount.

Statesmen are never tired of expatiating on the extraordinary and unprecedented difficulties of their situation, with an empire constantly extending and requiring more costly protection, and a public income generally declining, and which can only be made to expand by the painful screw of direct taxation. They observe, with astonishment, that the national revenue not only cannot, without that last and dire resource, be made to keep pace with the national necessities, but that even an increase of wealth and numbers unparalleled in any old state since the beginning of the world, is daily accompanied with a greater difficulty, even in upholding the revenue at its former amount. They observe, with a sigh, that 72,000,000*l.* was raised

amidst general prosperity from the nation, containing 18,000,000 souls only, in 1815; but that not more than 50,000,000*l.*, without the income-tax, can be raised from 28,000,000 in 1845. They cannot comprehend how, with exports increased since that time in amount from 50,000,000*l.* to 120,000,000*l.* official value in round numbers annually, this most embarrassing and vexatious result should have taken place.

But the cause of it is perfectly plain — the currency has been unduly contracted. Prices in consequence have fallen fifty *per cent.* Every producer's income has undergone a similar reduction. Fifty millions are now a heavier burden on the nation than seventy-five millions were at the close of the war. Exports have increased, but not the price received for them, in any thing like the same proportion. The total currency now ranges from 65,000,000*l.* to 75,000,000*l.*, paper and gold, in the two islands; it should range from 100,000,000*l.* to 120,000,000*l.*, to keep pace with the growth of the nation in population, industry, and commercial transactions. Every man's work in consequence is increased, but his pay is diminished. Capital has been increased fifty *per cent.* by the change of prices; thence the fall of interest and rage for speculation. These speculations, when entered on, soon terminate in disaster from the rapid compulsory contraction of the currency which, under the present system, inevitably follows their institution. The efforts the industrious classes make to better their condition by extending their production only make matters worse. They induce an excess of production

above consumption — the peculiar and unprecedented evil of these times; they lower the wages and profits of every industrious man. Production is constantly increasing; remuneration, save to monied millionaires and territorial magnates, is constantly diminishing. Thence the extension of our national necessities, and the contraction of our national resources; — thence the experienced necessity, while the present monetary system continues, of recurring to heavy direct taxation; — thence the abandonment of the Sinking Fund, and permanent imposition of the debt in undiminished amount on the nation; — thence such frequent monetary catastrophes as have of late years shaken the State to its centre; — thence the prostration of the national resources to an extent which will, on the first serious external contest, put in hazard the very existence of the empire.

Historians have assigned the increasing, and at length crushing weight of direct taxation in consequence of the hoarding and disappearance of the precious metals during the latter reigns of the Roman Empire as the chief cause of its ruin. Montesquieu, Gibbon, Sismondi, and Michelet, concur in this opinion, and have given decisive facts to support it. The prodigious diminution of the annual supply of the precious metals for the globe since 1809, in consequence of the disasters brought about by the South American revolution, which, on an average of twenty years since that period, has lowered them *to a half* of what they had been, in the preceding forty, has necessarily caused this evil to be felt to a certain extent by the whole civilized world. The weight of money payments has been

everywhere sensibly increased by this cause. But what has rendered it doubly oppressive and disastrous in this country is, that, at the very time when this general diminution in the currency of the globe was going forward, a similar, and even greater, contraction of the paper circulation took place in these islands, in consequence of the operation of the law of 1819. And this, too, went on at the very time when warlike triumphs, political circumstances, and the uncontrollable energy of the British character were daily producing a vast *increase* in the numbers, industry, and productions of the people. Can we wonder, when these circumstances are taken into consideration, at the misery which has since been so generally felt by the working and producing classes? The nation has resembled a strong healthy man rapidly growing, and yet shut up in an unbending coat of mail, which daily renders the expansion of his body the cause of increased suffering.

It is often said that the bill of 1819 was a great error, but that it has been got over; that prices have become accommodated to the new and diminished amount of the currency; that the sufferers by it are bankrupt, dead, and buried; and that every thing would be thrown into confusion again, if any change were now made. There never was a greater mistake. — The seven hundred and seventy-five millions of the National Debt has not become accommodated to the change. The fifteen hundred millions of private debt in the community has not found its debtors inured to the change. — The payers of taxes whose incomes have been lowered fifty *per cent.* by its effects have not become

reconciled to the change. — The manufacturing and commercial classes, exposed every five or six years to a frightful monetary crisis, fatal to a large part of the persons engaged in business, in consequence of the present obligation on the Bank to pay in specie at the Mint price, are not enamoured of it. — The farmers who find the prices received for their produce lowered from 50 to 75 *per cent.* are not reconciled to it. — The landlords whose embarrassments are hourly increasing, and one half of whom are in a state of hopeless insolvency from the consequent and unavoidable reduction of their rents, are not accommodated to it. — The nation whose resources have been so seriously impaired by its effects, that any increase of revenue from indirect taxation has become impossible, and the *ultima ratio* of an income-tax has become indispensable in the thirtieth year of peace, has not become accustomed to it. — The evils of the system, as long as it is adhered to, are lasting, corroding, and irremovable. — They are not over; they are only in their infancy.

How, it is said, would you remedy these evils? Would you recur to the Bank Restriction Act of 1797? Would you allow every private individual who chooses to call himself a banker to usurp the King's prerogative, and issue paper in unlimited quantities to a credulous public, voracious of money? — The answer is plain. Certainly not. The Bank Restriction Act, necessary and indispensable during war, would be dangerous in peace. The numerous failures of private bankers in England in 1825 have demonstrated that the system of issuing paper then allowed, *combined with the*

monetary law of 1819, led to the most frightful convulsions. But, because the old system required revision and amendment, it does not follow it should be removed altogether. The comparative stability of the Scotch banks during that crisis, and the subsequent and more protracted one from 1837 to 1842, proves that the dangers are not necessarily inherent in an issue of small notes. It demonstrates that the blessings of a sufficient currency may be combined with perfect security to the holders of paper throughout the country.

It belongs to practical men to devise a mode by which the advantages of a paper currency of small notes may be rendered consistent with security to the public who take them as money. The author has no practical acquaintance with these matters, and any suggestion he may throw out is of little importance one way or other. What he rests upon, and does most earnestly press upon all thinking persons in the nation, are these positions: — 1. That experience has now demonstrated that the circulation since 1819 has been unduly contracted; and that it is in that contraction that the main source of all our subsequent social evils and national embarrassments is to be found. 2. That a circulation chiefly metallic, or having the precious metals alone for the ordinary currency, *can never, how large soever, remedy these evils*, by reason of the frequent drain of gold and silver, from causes altogether beyond our reach, to foreign countries, and consequent contraction of the currency and ruin of credit at home, if unrelieved by an immediate and plentiful issue of paper; and of the impossibility of available capital being *suddenly aug-*

mented, when the precious metals alone form the circulation, to meet the occasional exigencies of an extensive commerce. 3. That a *mixed* circulation of *small* notes and specie is indispensable to public prosperity, and furnishes the only security against the dreadful monetary crises, with which since 1819 the nation has been periodically devastated, and which must always follow a period of commercial prosperity, or a deficient harvest, when the basis of the circulation is gold alone.

And it is submitted to those more practically acquainted than the author with the details of the subject, whether the following system would not remedy the existing evils, without putting the stability of the circulation in any hazard. 1. That the Bank of England should be authorised to issue one-pound notes to any extent, under an obligation to pay them in specie on demand in gold or silver, but at the market price of those metals, when presented, only. 2. That private bankers should be authorised also to issue one-pound notes, but under this limitation; that before issuing them, they should deposit securities in the public funds to the amount of 75 *per cent.* or 80 *per cent.* on the notes issued, to be guaranteed as a fund to the holders of the notes and those alone, the issuer in the mean time receiving the dividends accruing on such securities. 3. That in the event of the market price of gold rising above a certain limit, fixed by law, but at a very high level, perhaps 5*l.* an ounce, the obligation on the Bank to pay in specie should be provisionally suspended, by a permanent law, till the price of gold falls below that limit, when it should again become in force.

POSTSCRIPT.

SIR ROBERT PEEL, who rarely notices any arguments or productions which are not brought forward in parliament, having done me the honour to mention the preceding work, and having read the concluding paragraph of it, with comments, in the House of Commons, I deem it due to the high position which that Right Honourable Baronet holds in the country, as well as respectful to his great and acknowledged talents, to deviate in this instance from the rule which in every other case I have invariably followed, never to allow myself to be drawn into a political or literary controversy.

The Right Honourable Baronet, in the debate on the currency on July 26th, 1845, is reported to have said:—

“My Honourable Friend, however, proposes no remedy: he studiously avoids informing the House in respect to the practical result of his observations. He did indeed refer to the pamphlet of one whom he terms the greatest philosopher of modern times—Mr. Alison. I have the pamphlet in my hands, and what does it say? I shall read an extract or two to show the House what are the pretensions of that gentleman to instruct us on the currency question.” I never knew who was the author of the letters of Gemini. A classical man would refer them to Castor and Pollux, but a Warwickshire man always attributes them to Spooner and Attwood. I doubt, however, if Mr. Alison is not entitled to the honours of the confraternity,

Mr. Alison [here the Right Honourable Baronet read the extract] recommends an unlimited issue of notes of 1*l.* in value by the Bank of England, with an obligation to pay them in gold and silver at the market price of those metals when presented. But, if that was adopted, *gold would soon rise to 6*l.* an ounce*, and bank-notes of 1*l.* would become the standard of the country. Mr. Alison, however, provides, as he thinks, for this predicament, by suspending those payments in specie when the market price of gold rises above a certain fixed limit. *But suppose the price of gold rose to 10*l.* per ounce; the banks would in that case do nothing to depreciate their own paper; that nominal value of the precious metals would consequently be kept up; and, as a matter of course, the period would never arrive when the price would fall below the assigned limit. This is the philosopher who is to instruct us on the currency.*"—*Morning Post*, July 26th, 1845.

In these observations, it is remarkable, that Sir R. Peel confines his attention exclusively to a suggestion thrown out in the close of the preceding pages, and passes over altogether in silence *the facts* advanced in the foregoing parts of the work, as to the experienced effects of the system which he advocates. He deemed it more expedient to direct his arguments against a remedy proposed, than either to explain or deny the evils arising from the existing system.

But let the remedy proposed be considered, and tried by the test of experience and reason.

Is there anything really alarming, supposing it to occur, in the rise in the price of gold here held out as so formidable an evil? Gold was at 5*l.* 8*s.* an ounce in the year 1814, that is, at the highest period of England's exaltation. Is it different in point of importance from a temporary rise in the price of grain, meat, cotton, or any other article of

ordinary and extensive use? Nay, is it not less formidable than a rise in the price of these bulky articles, so difficult of transportation; because the facility of moving it from place to place renders a rapid return of prices to their former level a matter of far greater certainty in the case of gold, than of any other commodity.

Sir R. Peel affirms that if the Bank of England were permitted to issue notes, under no other restriction but an obligation to take them up in specie at the current price of gold when presented, they might, and from the desire of profit would, issue them in such quantities that they would become depreciated, banish gold from the country, and run it up to a nominal price of six and even ten pounds an ounce. Now how stands the fact under circumstances much more favourable to such unlimited issue, and its anticipated effects, than an obligation to pay in specie at its current value? It will hardly be disputed that if an obligation to pay in specie, at its current value only, is favourable to an over-issue of paper, an entire suspension of any obligation to pay in specie at all, is much more favourable. But from 1797 to 1819 the Bank of England absolutely enjoyed such an exemption. How, then, did the price of gold stand, under these circumstances, of all others the most favourable to an over-issue of paper, and an exemplification of its effects on the price of the precious metals?

Why it appears from the prices quoted below, and given at large in the Appendix, taken from Mr. Tooke's learned work, that from 1797, when the Bank Restriction Act was passed, to 1800 the price

of gold *did not rise at all*, and was considerably lower than it had been a year before the Bank Restriction Act was passed: that from 1800 to 1808, when the Peninsular war began, the current price of gold never rose above 4*l.* 5*s.* an ounce: that from that period till the peace concluded in April, 1814, during the Spanish, German, and Russian wars, it ranged from 4*l.* to 5*l.* an ounce, and in February of that year reached its maximum point of 5*l.* 8*s.* during the crisis of the struggle in Champagne, and on the Garonne with Napoleon: but that as soon as peace was concluded, *it fell again so rapidly*, that in August, 1814, it was down at 4*l.* 11*s.*, and in February, 1817, was only 3*l.* 18*s.* 6*d.*, *being just 7½*d.* more than the present Mint price of 3*l.* 17*s.* 10½*d.* ! **

* Table of Prices of Gold from 1800 to 1819, February and August of each year.

	£	s.	d.		£	s.	d.		
1795 — Oct. 5. ¹	-	4	4	0	1811 ⁶ — Aug. 30.	-	4	17	6
1797 ² — Feb. 11	-	3	17	6	1812 ⁷ — Feb. 28.	-	4	15	0
1798 — Aug. 24.	-	3	17	10½	1813 ⁸ — Feb. 22.	-	5	8	0
1799 — Aug. 23.	-	3	17	9	1814 ⁹ — Aug. 23.	-	4	11	0
1800 ³ — Aug. 22.	-	4	5	0	1815 ¹⁰ — Feb. 28.	-	4	9	0
1801 ⁴ — Feb. 27.	-	4	4	0	1816 — Aug. 27.	-	3	19	0
1802 — Feb. 26.	-	4	3	6	1817 — Feb. 28.	-	3	18	6
1804 — Aug. 3.	-	4	0	0	1819 ¹¹ — Aug. 3.	-	3	18	0
1805 — Aug. 27.	-	4	0	0	1820 — March	-	3	17	10
1809 ⁵ — Feb. 28.	-	4	10	0					

Tooke's Prices, vol. ii. p. 384.

¹ This figure is taken from the Letter of the Governor of the Bank to Mr. Pitt, dated 8th October, 1795, referred to in the debate on the Bank Restriction Act in February, 1797. The other figures are taken from Mr. Tooke's Table.

² Bank Restriction passed.

³ Campaign of Marengo.

⁴ ——— of Hohenlinden.

⁵ Campaign of Wagram and Peninsula.

⁶ Peninsula and preparations for Russian war.

⁷ Moscow and Salamanca campaigns.

⁸ Leipsic and Vittoria.

⁹ Champagne and Toulouse.

¹⁰ Waterloo.

¹¹ Bank compelled to pay in gold.

And this rapid fall took place though the Bank Restriction Act was in full operation, and at the time when the bank-notes in circulation in England under the Bank Restriction protection ranged from 45,000,000*l.* to 48,000,000*l.*, or about 20,000,000*l.* more than at this time, when the population is ten millions greater, and the money transactions at least double. Where was the forcing-up of the price to 6*l.* and 10*l.* so confidently anticipated by the Right Honourable Baronet, from a system much less favourable to a rise in the price of gold from an over-issue of paper? That table of prices decisively proves, that the rise in the price of gold during the war, from first to last, was owing to the demand for it arising from the continental campaigns, and that it was hardly, if at all, affected by the issue of paper in this country.

Such is the difference between the anticipations of theoretical political economists as to the effect of measures, and those actually demonstrated by the results of experience! It may be doubted whether a more decisive refutation of an erroneous assertion ever yet was afforded by real results.

It is not difficult to perceive to what cause this remarkable difference is owing; and it has been already pointed out in the preceding pages. It arises from the supporters of the present monetary system not attending to the distinction between paper money, which may easily, if not convertible into the precious metals, be rendered redundant by an over-issue by a Government, and in consequence becomes depreciated, in a particular country; and

those precious metals themselves which, *having an international and universal currency over the globe*, never can, but from the influence of some extraordinary demand for them in one quarter, which raises their price and attracts them there, stand at a level materially different, in point of price, for any length of time, in one place, from what they do in another. Being the most portable and imperishable of all commodities, and on that very account selected by the universal consent of men as the general currency and measure of value, they are so susceptible of transportation without injury from place to place, that they find their level in point of price more speedily than any other commodities.

If from an over-issue of paper in the British Empire not convertible into specie, the currency as a whole is depreciated, the precious metals, like all other commodities, may for a time stand at somewhat a higher price here than on the Continent of Europe; and this effect took place to a certain extent during the latter years of the war. But the most cursory inspection of the table of prices in the Appendix must be sufficient to demonstrate that, without the concurring operation of a great demand for them abroad, this difference can never be considerable for any length of time. If, however, they be convertible into specie at its current price, any issue of notes can never raise the price of such specie to any considerable degree in any country. The reason is, that if from that cause the precious metals flow abroad and the price of gold and silver begins to rise at home, they will soon return into the

profitable market, where they have become scarce, from foreign states. No man will keep gold at 4*l.* an ounce in France or Germany, if he can get 4*l.* 10*s.*, or even 4*l.* 4*s.*, for it in Britain. It is as impossible by any issue of paper convertible into specie to raise its price *ceteris paribus*, for any length of time, to any considerable degree, in any country, as it is by a similar issue to raise in any material degree the value of diamonds or rubies in it; or by excavating a cavity in the centre of the Atlantic to make its water stand a thousand feet lower in one part of its waves than another. Yet, strange to say, it is on an apprehension not less unfounded than this, that our present monetary system, fraught as it is proved to have been with such disastrous results, is founded.

The apprehension expressed by Sir R. Peel, and entertained by many well-informed persons, that if an unlimited issue of paper by the Bank of England were allowed, subject only to the obligation of paying it in the precious metals at their current value, 1*l.* notes would become the standard of the country, is equally chimerical. If, indeed, such notes might be issued in unlimited quantities by the Bank *without any obligation at all* to pay them in the precious metals, this effect might take place. In that case the country would come to have two standards of value: one for domestic debts and transactions, and one for its intercourse with foreign nations. Such a state of things has its inconveniences, though they are inconsiderable in comparison of those which have followed, and must ever follow, our present monetary system.

But the material thing is, that those inconsiderable evils would disappear before the obligation to pay in specie at the current prices.

It is wholly impossible that two standards, one paper and one metallic, can coexist in a country for any considerable length of time, when the one is constantly exchangeable for the other. The surest of all preservatives, the interests of the holders of notes, must prevent it from taking place. If from over-issue, a note comes to be only worth 18s., they will speedily be presented at the Bank to get 20s. in specie for them. An extraordinary and temporary cause, such as a great and sudden demand for gold on the Continent or in America, may, for a short season, raise the value of gold to an unusual height, as it did in 1809 and 1810, and cause it to flow abroad. *During its brief absence*, the 1*l.* notes would become the standard of value, because they sustain and compose the circulation in the absence of the precious metals; but that is the great and peculiar *advantage* of a paper currency convertible into specie, that it has an *elastic* quality, and expands when the precious metals which it represents are for a season withdrawn from the country. It thus equalises the circulation, and prevents the dreadful evils consequent on its sudden contraction; but which, nevertheless, when the circulation is metallic only or chiefly, must, from the frequent extraordinary demands for it in foreign states, be of periodical occurrence.

Bankers would find it impossible under such a system, coupled with a regular and simultaneous exchange of notes between their different establishments, to keep an over-issue of notes beyond what

the transactions of the country require afloat in the currency of the country. This is well known in Scotland, where the notes of all the banks are regularly exchanged twice a week, and in consequence any bank issuing an undue proportion speedily gets them back on itself. Bank-notes are valueless except in their own country, and as instruments of circulation; they have not, like gold or silver, an intrinsic value acknowledged all the world over. If they are issued in such quantities as not to be kept afloat by passing from hand to hand, they will be paid into banks in the search of a profitable investment, and by the exchanges of notes be speedily returned to the issuers. More especially will this be the case, if, in consequence of an over-issue of paper, prices have been elevated, and it has become a source of profit to send gold abroad. No man will keep 10*l.* lying dead in his repositories in bank-notes, if, by paying it into the Bank, he can get either gold, of universal value, or find a profitable investment for it in some employment. It is the issuing of paper like assignats, not subject to the same check against over-issue, in consequence of *no one being bound to retire them* in the precious metals, which really leads to a depreciated currency. And it is from not attending to this distinction, that the apprehensions as to gold being banished from the country by an over-issue of paper convertible into the precious metals, so evidently chimerical, and yet so common among speculative men, have arisen.

It is not easy to understand what Sir R. Peel meant by affirming that, if the nominal price of gold rose to 6*l.* or 10*l.* an ounce, "bankers would

do nothing to *depreciate their own paper*, the nominal value of the precious metals would be kept up, and, as a matter of course, the period would never arrive when the price would fall below the assigned limit." Perhaps there is some error in the report. It may readily be conceded that bankers would do nothing, knowingly at least, to depreciate their own paper. The sentence seems to imply, that in the opinion of the Right Hon. Baronet, the depreciation of paper, if effected, *would* lower the nominal price of gold. At that rate an inordinate issue of paper should *lower* the nominal price of the precious metals. But as the Right Hon. Baronet had stated in a preceding sentence that the over-issue of paper would *raise* the nominal price of gold, it is impossible he could have meant that a fall in the price of gold *would depreciate bank-notes*; or that the depreciation of bank-notes would lower the nominal price of gold. If redundancy of notes in some degree raises the nominal price of gold, as it certainly does for a short period, because it augments the currency taken as a whole, it is impossible that a diminution, either in the amount of gold or bank-notes in circulation, could "*depreciate*" the value of either. It should rather *enhance* their value by rendering the currency as a whole less abundant. Perhaps he meant to have said, "bankers would do nothing to *contract* their own paper."* As it stands, the sentence is either unintelligible, or directly con-

* If this be what the Right Honourable Baronet meant to have said, or really said, the reply to it will be found on p. 118, and 119, *antè*.

tradictory to itself; and the latter part of it is palpably a mistake, perhaps in the report; though it appeared the same in all the newspapers.

But if the anticipated evils apprehended from an extension of the currency, in the manner contended for in the preceding pages, derive no support from experience, have the dangers of the present system been found to be equally unfounded? Probably the Right Hon. Baronet will be prepared to show, when the subject of the currency comes on in the next session of parliament, how it has happened that with inhabitants in the empire a half more numerous, and real wealth twice as great now as it was in 1815, he is obliged to recur, in the thirtieth year of profound peace, to an Income Tax, then abandoned, without serious injury to the revenue, on the first termination of hostilities? He will be able to tell the nation how the Sinking Fund, then amounting to fifteen millions a year, has come to be abandoned, amidst national productions and resources constantly increasing? He will be prepared to show how, with the currency now limited by law to 14,000,000*l.* issuable in paper on securities by the Bank of England, and no increase competent without a corresponding addition to the reserve fund of bullion held by that establishment, the vast new undertakings set on foot, to the amount of thirty or forty millions sterling required annually for some years to come in domestic railways, besides a great increase of ordinary transactions, are to be conducted? He will be ready to point out how, under the existing law, the ten millions that must ere

long be sent abroad in specie for railway engagements entered into in this country to be executed in foreign states, are to be remitted without compelling a contraction of issues by the Bank of England, and consequently disturbing engagements, and producing a shock to credit at home? He will be able to allay the apprehensions, universal among practical men, as to the effect of such a pressure on the money market, without any expansion in the circulation being possible, save by *additions* to the specie in the vaults of the Bank of England, coinciding with a bad harvest and extensive importation of foreign grain, which must of necessity draw the specie *out of their repositories*. These evils, let it be observed, are not theoretical and imaginary, like those about a lasting rise in the price of gold, in consequence of an over-issue of paper. They are *real*, and have been felt, and their effects are written in indelible characters in the history of the country during the last five and twenty years.

Leaving it to the advocates of the principle that "bank-notes are to be drawn in over Great Britain, in proportion as gold is drawn out of the country," to show how their system is to meet the state of things which has arisen, and the difficulties which every one sees are approaching, it is of importance to observe that both that state of things, and those difficulties, are the result of the contraction of the currency by the Acts of 1819 and 1844. The former of these Acts added a third at one blow to the available capital of the country, because it added that much to the value in the purchase of labour or commodities of every man's capital in it:

the latter will probably raise the addition to a half. So prodigious and sudden an increase of capital, when the channels for its employment had undergone no proportional extension, necessarily led to a rapid, and to many, most distressing, fall in the interest of money. Thence the rage for joint-stock companies, foreign speculations, and absurd undertakings, which at intervals has convulsed the country ever since. The Mining mania of 1825; the Joint-Stock mania of 1836; the Railway mania of 1845, were the natural and unavoidable result of the bills of 1819 and 1844.

But if the present monetary system, by the plethora of capital it suddenly induced, is chargeable with these very serious national calamities, what means did it afford of carrying out the vast undertakings to which it gave rise? Why it not only afforded none, but it did just the reverse. It *took away* the means previously existing. It contracted the circulation, and consequently paralysed credit at the very time that the undertakings which itself had stimulated most loudly called for its extension. It first doubled the number of soldiers in the army, and then reduced its supply of food to a half. Based on the principle that the paper circulation must be contracted, in proportion as the metallic circulation was abstracted, it rendered the very extension of undertakings from which so much public benefit might have been expected, the certain forerunner in every instance of anxiety, pressure, and ruin. It at once induced the danger, and withdrew the remedy. The long-continued and severe public distress from

1826 to 1829, and from 1837 to 1843, is as much chargeable on the present monetary system, as the perilous and fleeting prosperity which preceded them.*

- And for decisive proof that the abstraction of gold, even to the greatest extent, does not of itself lead to any public calamities, and may coexist with the greatest public prosperity, appeal may be made to the state of the country during the years 1809 and 1810. In those years the demand for the precious metals for the use of the armies in the campaigns of Aspern and the Peninsula was so great that a *light* guinea was worth 24s., gold stood from 4*l.* 10s. to 4*l.* 17s. the ounce, and the precious metals absolutely disappeared from the circulation; and no less than 1,500,000 quarters of foreign grain were imported, with wheat at 110s. a quarter.

Did any contraction of credit, or paralysis to undertakings, ensue from this entire abstraction of the precious metals, as undoubtedly would be the case under the present system? Quite the reverse. Prosperity was universal: the exports and imports were immense—nearly as great in declared value as they are at this moment; no less than 67,000,000*l.* was raised in this year by taxation, and, without weakening the force on any other station, Great Britain, in the first of these years, had 40,000 men

* It need hardly be observed to any one conversant with these subjects, that there is no contradiction in the same measure adding practically to the *capital* of the country while it diminished the *circulation* by which it is to act on the national industry. Both followed simultaneously the contraction of the currency.

in Walcheren, and 30,000 in Spain, and in the next, accumulated 130,000 combatants in the lines of Torres Vedras, and forty ships of the line in their rear off Lisbon. But how was this done? By a vast issue of paper to supply the place of the gold which had been abstracted; by the paper discounted by the Bank being raised to 20,000,000*l.* a-year; by the bank-notes in circulation being raised to 48,000,000*l.* annually. They did not proceed on the principle of contracting the notes when the guineas were withdrawn. They did not cut off half the bread when the beef was taken away. On the contrary, they increased it. They thought, if the soldier got less beef he required *more* bread. Thus the difficulty was surmounted without embarrassment, and England emerged triumphant from the most dangerous crisis of the war. If, therefore, a commercial spasm ensue from the abstraction of gold or contraction of credit from the effects of the present railway mania, the country is entitled to charge it upon the existing monetary system; for experience has proved that a much greater abstraction may take place without any contraction of credit, or shock to industry, whatever.

Even a cursory inspection of the tables in the

* *Note.*

	Price of Gold per Ounce.	Declared Value of Exports.	Official Value of Imports.	Revenue.	Population.
	£ s. d.	£	£	£	
1809 Aspern	4 10 0	46,049,777	30,170,292	63,719,400	12,190,000
1810 Torres Vedras	4 17 0	47,000,926	36,613,294	67,144,542	12,340,000
1842 —	3 17 9	47,361,043	65,204,729	51,120,040	18,830,000
1843 —	3 17 10	52,276,449	70,093,356	56,935,022	19,200,000

Appendix must demonstrate to what cause the extreme embarrassment of finances which appears so extraordinary in the midst of rapidly growing numbers and industry during the last twenty years has been owing. If the reader will cast his eye over the columns showing the annual amount of the poor-rate, taxes, and national debt converted into quarters of grain since 1815, he will at once see the solution of the whole. He will readily perceive how it has happened that the indirect taxes have ceased to admit of extension; how the Sinking Fund has disappeared, and recourse has been rendered unavoidable to an income tax, after above a quarter of a century of unbroken European peace. The poor-rates as measured in quarters of grain, that is, in the produce of industry, are four times as heavy as they were at the beginning of the century, and double what they were in 1815. The National Debt, measured by the same standard, is a third heavier than it was at the date of the battle of Waterloo. Fifty millions sterling, between indirect and direct taxes, have been taken off since the close of the war, and only thirteen millions laid on in the same time; yet the present weight of taxes is greater than it was at the commencement of that period!*

* Viz.:—

Taken off, indirect taxes, from 1815 to 1843	£
(See Appendix) - - -	32,529,339
Taken off in 1845 - - -	2,468,000
Income-tax taken off in 1815 - -	15,000,000
	<hr/> 50,097,339
Laid on in same period (see Appendix) -	13,451,119
	<hr/> £36,646,220

This is the result as measured in quarters of wheat : as measured in the produce of manufactures, the national burdens of all sorts since 1815 have, notwithstanding these vast, and to the revenue ruinous reductions, been more than doubled. It does not require the gift of prophecy to foresee that such a state of things cannot possibly continue much longer.

It is a matter of comparatively little consequence how the addition to the currency, so loudly called for by existing circumstances of the country, is to be made. The object may be gained either in the way pointed out in the preceding pages, or by an issue of bank-notes by Government, to a fixed amount, to be received in payment of the taxes, as recommended by the Society for the Emancipation of Industry. The material thing is to have the currency expanded, in proportion to the extension of undertakings, and *not liable to be contracted, as at present, in consequence of that very extension*, and when its aid is most imperatively required.

In this view, it is in a peculiar manner worthy of consideration, how the necessary additions to the currency called for by the vast undertakings now in progress in all parts of the country are to

	1801.	1815.	1843.
Taxes as measured in	<i>qrs.</i>	<i>qrs.</i>	<i>qrs.</i>
quarters of wheat	5,330,179	19,055,398	24,227,668
at annual prices -			
National Debt in do.	69,850,545	214,818,931	328,965,251
Poor's rate in do. -	693,234	1,702,255	3,015,147
			(See Appendix.)

be provided for under the stringent provisions of the present Bankers' Act, 7 & 8 Victoria, c. 32. By sect. 2. of that Act, it is provided, — 1. That on 31st August, 1844, there shall be transferred to the issue department of the Bank of England securities to the amount of 14,000,000*l.*, and such amount of gold and silver coin and bullion as shall not be required by the banking department of the Bank of England: “ And thereupon there shall be delivered out of the said issue department into the said banking department of the Bank of England, such an amount of Bank of England notes, as, together with the Bank of England notes then in circulation, shall be *equal to the aggregate amount of the securities, coin, and bullion so transferred* to the said issue department of the Bank of England; and the whole amount of Bank of England notes then in circulation, including those delivered to the banking department of the Bank of England as aforesaid, shall be deemed to be issued on the credit of such securities, coin, and bullion so appropriated and set apart to the said issue department; and from and after such transfer and appropriation to the said issue department as aforesaid, *it shall not be lawful* for the said Governor and Company to issue Bank of England notes, either into the banking department of the Bank of England, or to any persons or person whatsoever, *save in exchange for other Bank of England notes, or for gold coin, or for gold or silver bullion received or purchased for the said issue department* under the provisions of this Act, or in exchange for securities acquired and taken in the

said issue department *under the provisions herein contained.*"

Whoever considers these provisions with attention will see that they practically introduce two things:—1. A limitation of the issue of Bank of England notes to 14,000,000*l.* on securities, with the addition of the specie and bullion transferred to the issue department: 2. A limitation of any future issue to the amount of such securities, bullion, and specie. It is the avowed object of the Act to base the circulation of the Bank on these three things. And the opinion of its supporters has been repeatedly expressed that they constitute the only safe foundation of banking operations. If, therefore, the specie is drawn out by the holders of notes, who are declared entitled by the Act to have their notes paid at 3*l.* 17*s.* 10½*d.* an ounce of gold, it follows of course that the notes in circulation must be diminished in the same proportion. They cannot issue notes beyond the 14,000,000*l.*, *except in exchange for specie or bullion*, the most effectual of all ways of limiting the issue to their amount.

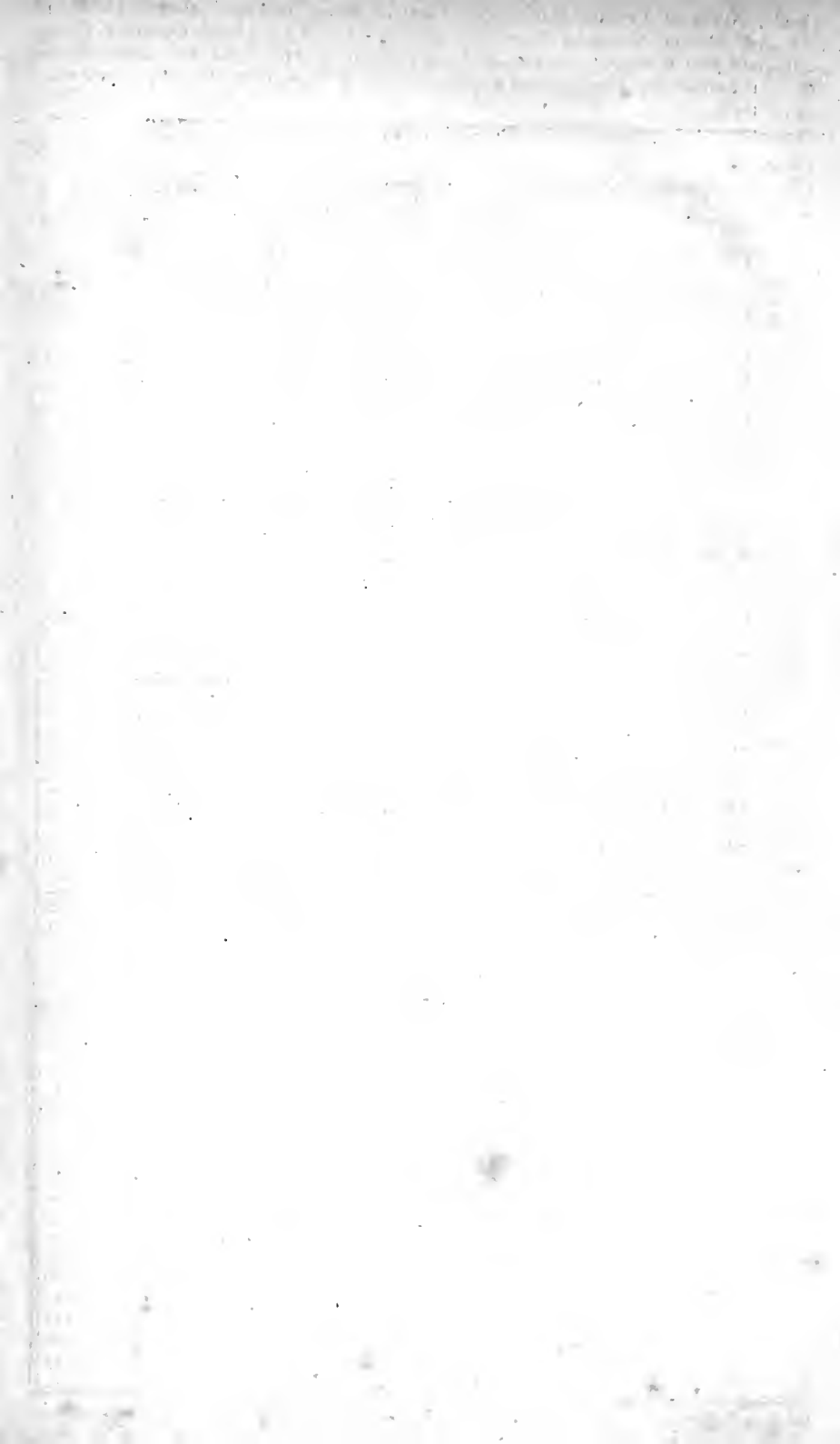
Now suppose a bad harvest, such as we have narrowly escaped, occurs, when undertakings of a gigantic character are on foot, and a large quantity of specie is drawn from the Bank to purchase foreign grain, or other subsistence, what, under the existing law, must be the consequence? Must it not be that the paper circulation of the Bank of England, and of course of every other bank, will be simultaneously and rapidly contracted? Their own notes pour in to be exchanged for specie to buy foreign grain,

or make the necessary remittances to foreign undertakings. They cannot issue new ones beyond the 14,000,000*l.*, except in exchange for specie or bullion, which is the very thing they are every day losing, and which is bought up in all parts of the country for foreign exportation. The result is inevitable, that their notes must be called in as rapidly as the sovereigns go out. The screw must be put on; the circulation must at all hazards be contracted. If 10,000,000*l.* of sovereigns are *drawn out* to buy foreign grain, or to meet a demand for gold in foreign states, 10,000,000*l.* worth of notes must be *drawn in* to equalise the paper with the stock of gold and silver, above the 14,000,000*l.* authorized to be issued on paper securities. *The circulation will thus be diminished by 20,000,000*l.*, or nearly a third of its amount, and that at the very time when the public interests most loudly call for its extension.*

That may occur, too, at a time when speculations the most weighty are on foot, and the currency previously in circulation is most required for the wants of the community! The evil will not thereby be doubled: it will be quadrupled. Like all mischievous panics, its effects will go on as the squares. Is it possible to contemplate such a state of things without the most serious apprehensions: without deep regret that it should be established and perpetuated by Act of Parliament? Does it not annul the best effects of a paper currency, that of having an elastic quality, which causes it to expand when the metallic currency is contracted, and so obviate the ruinous and lasting effects of such

temporary diminution on general credit? Is it surprising, when such is the law, that the mercantile classes watch the sky; that rain for a month in autumn gives a serious shock to credit, and that stock of all kinds rises or falls with the changes of the barometer? The Bankers' Act of 1844 should be styled — "An Act for the more effectual transferring of panics from agriculture to commerce, and for perpetuating commercial catastrophes in Great Britain."

The result of the whole appears to be, that the evils of the present monetary system, both social and national, are general, pressing, of constant recurrence, and decisively demonstrated by experience; while the dangers anticipated from the abandonment of it are trifling, imaginary, and not only derive no countenance from actual results, but are clearly proved by them to be unfounded. Is it then expedient, to continue longer a system fraught with such real and experienced calamities, both to the national finances, the public safety, and the interests of the vast majority of the people, from a desire to maintain consistency in error, or from a vague apprehension of dangers disproved by the actual course of events?



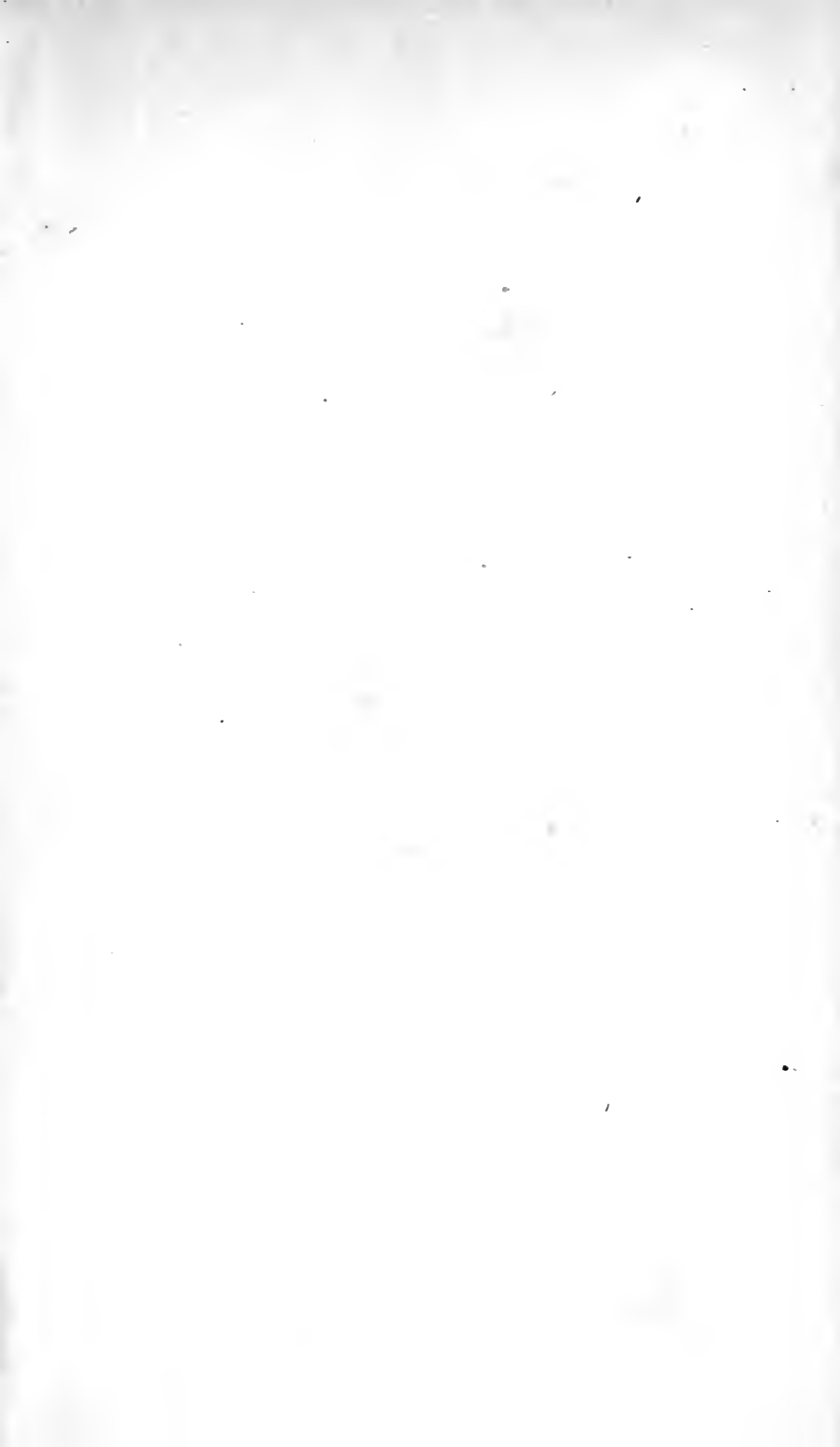
Notes of Private Bankers — Total of Notes in Circulation — the Coin
 the Official Value of Exports— Excess of Official above, Declared Value
 and Wales — Amount of Poor Rate in Quarters of Grain annually —
 1815 — Annual Prices — Money applied to the Redemption of Debt — Price of
 Prices of Acres.

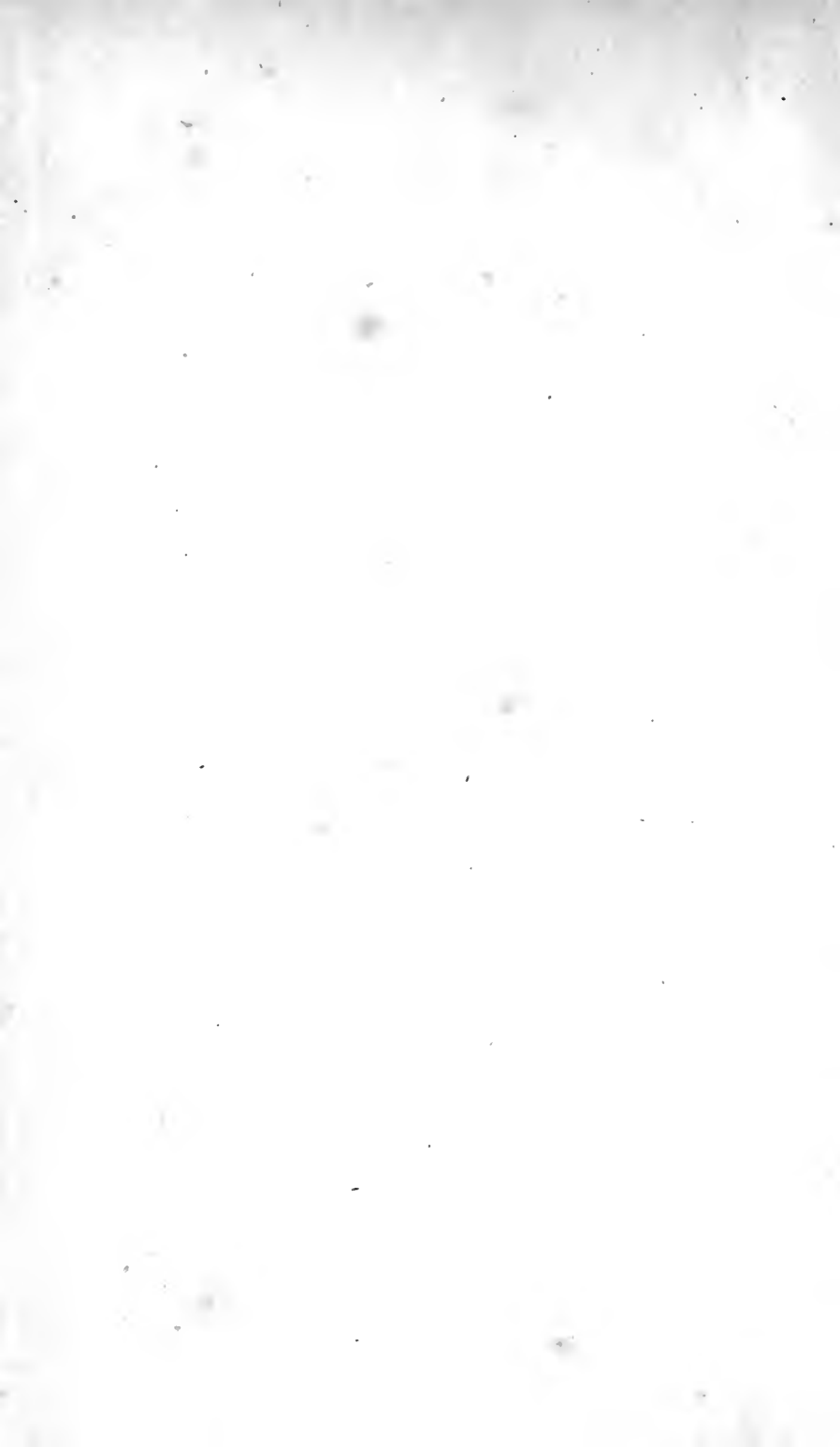
Commer- Paper Discount at Bank England	Annual Debt Year.	Revenue, yearly.	National Debt in each Year in Quarters of Wheat at Annual Prices.	Revenue Yearly in Quarters of Wheat at Ann. Prices.	Money applied yearly to the Redemption of Debt.	Average Price of Wheat, Winch. Quarter over the Year.	Prices of Wheat ac- cording to London Gazette.	Years.
£	£	£			£	s. d.	s. d.	
1,179,37,865	19,258,814	98,526,751	8,195,240	1,558,504	47 1			1792
1,842,14,446	19,845,705	93,720,182	8,100,287	1,634,972	49 6			1793
2,146,34,718	20,193,074	86,679,525	7,478,916	1,872,957	54 0			1794
2,946,77,237	19,833,520	61,204,256	4,897,165	2,143,697	81 6			1795
3,505,61,306	21,454,728	75,462,826	5,363,682	2,639,956	80 3			1796
5,350,23,774	23,126,940	114,620,572	7,460,303	3,393,214	62 0			1797
4,490,36,334	31,035,363	153,680,123	11,494,579	4,093,164	54 0			1798
5,403,67,547	35,602,444	112,898,012	9,493,985	4,528,568	75 8			1799
6,421,47,164	34,415,584	70,416,876	5,378,123	4,908,379	127 0			1800
7,905,43,489	34,113,146	69,850,545	5,330,179	5,528,315	128 6			1801
7,523,31,786	36,368,149	155,890,085	10,856,163	6,114,033	67 3			1802
10,747,60,642	38,609,392	176,086,880	12,869,797	6,494,694	60 0	57 1		1803
9,982,03,318	46,176,492	158,203,889	13,384,490	6,436,929	69 6	60 5		1804
11,265,29,932	50,847,706	197,768,942	17,533,691	9,406,865	88 0	87 1		1805
12,380,94,287	55,796,086	134,930,519	12,680,928	9,602,658	88 0	76 9		1806
13,484,33,073	59,339,321	154,290,531	15,215,210	10,125,419	78 2	73 1		1807
12,950,87,474	62,998,191	142,185,288	13,646,633	10,681,579	85 3	78 11		1808
15,475,89,091	63,719,400	115,997,943	12,022,509	11,359,691	106 0	94 5		1809
20,070,01,396	67,144,542	111,482,927	11,990,096	12,095,977	112 0	103 3		1810
14,355,83,448	65,173,545	117,700,638	12,069,175	13,073,577	108 0	92 5		1811
14,291,09,958	65,037,850	112,103,383	11,023,364	14,098,842	118 0	122 8		1812
12,380,23,535	68,748,363	123,337,255	11,458,060	16,064,057	120 0	106 6		1813
13,285,57,236	71,134,503	177,142,879	16,737,530	14,830,957	85 0	72 1		1814
14,917,11,940	72,210,512	214,818,931	19,055,398	14,241,397	76 0	63 8		1815
11,416,00,196	62,264,546	194,195,170	15,188,913	13,945,117	82 0	76 2		1816
3,960,42,403	52,055,913	133,921,104	8,975,157	14,514,457	116 0	94 0		1817
4,325,67,314	53,747,795	161,605,574	10,968,937	15,339,483	98 0	83 8		1818
6,515,80,480	52,648,847	203,841,148	13,499,704	16,305,590	78 0	72 3		1819
3,883,65,310	54,282,958	210,938,239	14,284,988	17,499,773	76 0	65 10		1820
2,676,12,767	55,834,192	224,031,765	15,727,941	17,219,957	71 0	54 5		1821
3,366,30,144	55,663,650	300,577,413	21,005,150	18,889,319	53 0	43 3		1822
3,123,01,612	57,972,999	277,790,039	20,341,403	7,482,325	57 0	51 9		1823
2,369,23,222	59,362,403	216,978,672	16,489,556	10,625,059	72 0	62 0		1824
4,941,28,265	57,273,869	185,268,634	13,636,635	6,093,475	84 0	66 6		1825
4,908,01,739	54,894,989	214,740,202	12,710,955	5,621,231	73 0	56 11		1826
1,240,76,890	54,932,518	310,990,756	21,973,007	5,704,766	50 0	56 9		1827
1,167,22,540	55,187,142	217,555,645	15,545,673	4,667,965	71 8	60 5		1828
2,250,51,932	50,786,602	280,455,248	18,467,855	2,559,485	55 4	66 3		1829
919,86,997	56,056,616	236,714,686	17,517,692	4,545,465	64 10	64 3		1830
1,585,00,549	46,424,446	260,034,672	16,008,429	1,663,093	58 3	66 4		1831
58,883	46,988,755	289,099,570	18,072,598	5,696	52 6	58 8		1832
75,229	46,271,326	316,457,544	19,279,719	1,023,751	47 10	52 11		1833
58,883	46,425,263	375,829,441	23,807,827	1,776,378	39 8	46 2		1834
75,299	45,893,369	424,957,313	26,221,925	1,270,050	35 3	39 4		1835
49,866	48,591,180	261,568,919	16,755,580	1,590,727	57 9	48 6		1836
No 22,570	50,592,653	298,597,086	19,840,256	None.	51 3	56 10		1837
return 75,188	51,278,928	262,860,409	17,854,802	None.	57 11	64 7		1838
47,690	52,058,349	223,925,791	15,311,279	Deficiency from 1837 to 1842 of 12,000,000. in six years.	68 7	70 8		1839
41,680	51,693,510	235,858,978	15,907,233		65 8	66 4		1840
71,725	52,315,433	283,841,379	19,376,086		54 6	64 4		1841
19,913	51,120,040	336,660,831	22,226,104		49 0	57 3		1842
68,340	56,935,022	328,965,251	24,227,668	1,433,282	47 4	50 1		1843
69,858	52,913,028	335,247,764	23,005,664	1,563,361	46 8	51 3		1844

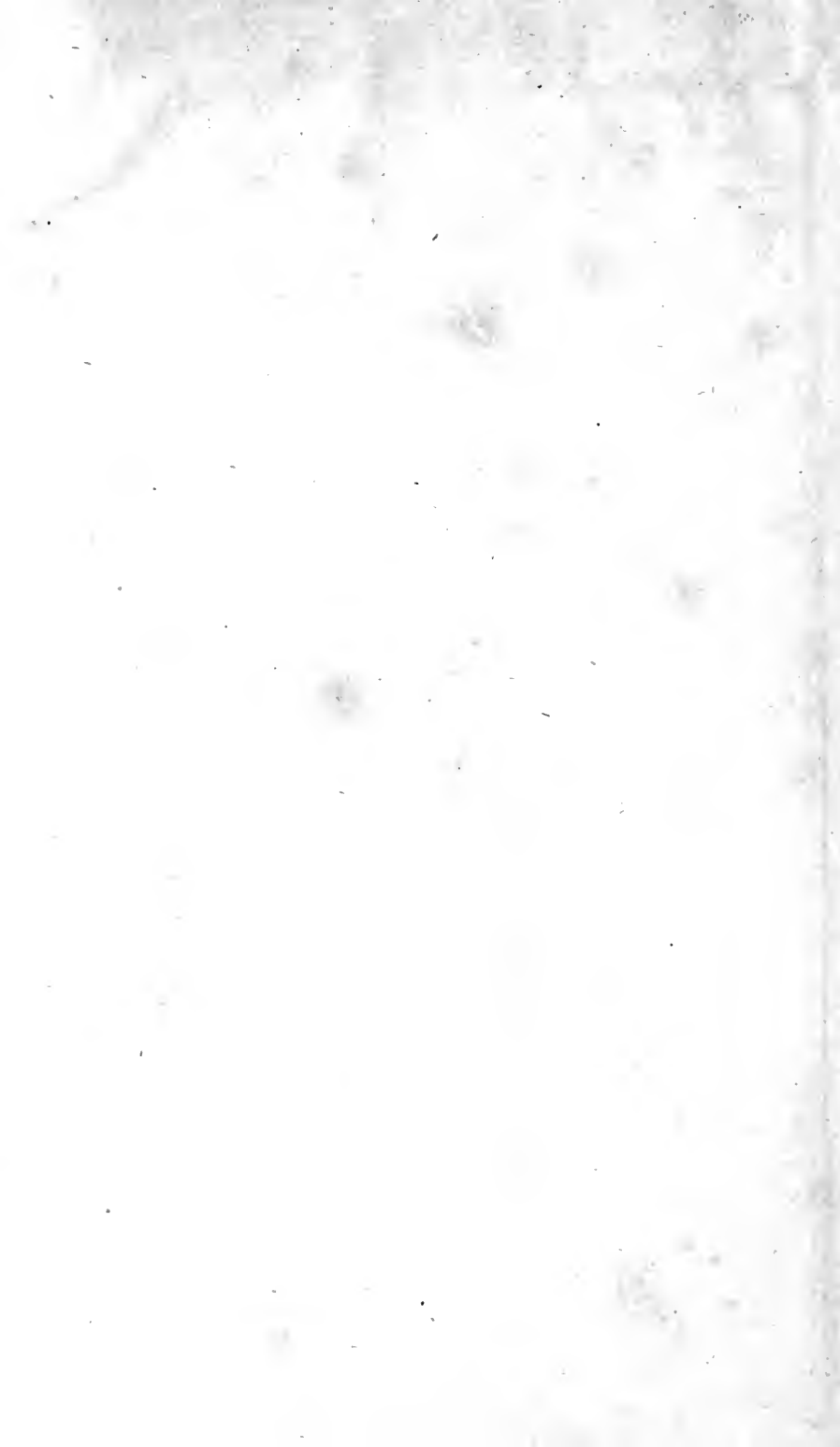
ted to pa Rebellion.

Income-tax imposed.









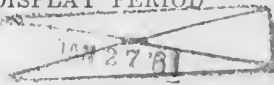
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